September 8, 2015

U.S. Securities and Exchange Commission (SEC)
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File Number S7-13-15

I appreciate the opportunity to provide feedback regarding the concept release on Possible Revisions to Audit Committee Reporting. Overall, the academic literature has described a significant enhancement in the qualifications and time spent by audit committees[1]. However, there has been minimal research in recent years related to increased voluntary disclosure in the audit committee report following the passage of the Sarbanes-Oxley Act[2].

As an academic who has done some research in this area of determinants of audit committee reporting, I've focused my comments into two primary categories: voluntary disclosure policies, the format or location of proposed disclosure, and the increase in disclosures by the audit committee.

Voluntary Disclosure Policies

From my experience analyzing data during my dissertation, companies' audit committee reports did not significantly change over time in the post-Sarbanes Oxley Act period[3]. In other words, most companies committed to a particular voluntary disclosure level upon being named as the audit committee chair. Unfortunately, it is almost impossible for individuals outside the company to disentangle whether voluntary disclosure is truly a signal of the chosen effort level (in conjunction with the number of meetings and verifiable human capital characteristics like financial expertise) or is merely "cheap talk"[4].

My primary concern is that mandating additional disclosures could dampen the ability of the audit committee to signal its "type" through voluntary disclosure. However, as noted in Section IV.B of the concept release, many key pieces of information related to oversight of the external auditor are not disclosed by S&P 1500 companies. By mandating disclosure of information regarding how the audit committee oversees the external auditor (question #3 of the concept release), and providing latitude

[1] Beasley, Mark S., Joseph V. Carcello, Dana R. Hermanson, and Terry L. Neal. *The Audit Committee Oversight Process.* **Contemporary Accounting Research 26(1): 65-122.**

[2] For a sample working paper: Reidenbach, Matthew R. *Audit Committee Chair Incentives to Use Voluntary Disclosure in the Audit Committee Report under High Agency Conflicts (available upon request).* For a published paper in the post-SOX era: Pandit, Ganesh M., Vijaya Subrahmanyam, and Grace M. Conway. *Are the audit committee reports disclosing enough after the Sarbanes-Oxley Act? A study of NYSE companies.* **Managerial Auditing Journal 21(1): 34-45.**

[3] My sample involved S&P 1500 firms operating in the business services sector over a period from 2006-2012.

[4] Fortunately, academic research suggests that this distinction does not matter over time since individuals can build a reputation for good disclosure even when no consequences exist for lying. Stocken, Phillip C. *Credibility of Voluntary Disclosure.* **RAND Journal of Economics 31(2): 359-374.**

related to the specific wording to meet this mandate by any individual audit committee, it may be possible to still achieve heterogeneity and useful disclosures across companies and industries.

Location of Proposed Disclosure

Regarding question #50 and #52 of the concept release, I firmly believe that audit committee disclosures should be provided in a single location. This is likely to provide particular benefit to individual investors with relatively limited time and attention toward understanding audit committee issues. Academic research suggests in more traditional financial accounting settings (e.g. recognition vs. disclosure) that individual investors do not process information when it is less focal to the document (i.e. a disclosure instead of recognized in the financial statements)[5].

Kind regards,

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[5] For example, see section VII of Schipper, Katherine. *Required Disclosures in Financial Reports*. **The Accounting Review 82(2): 301-326**.