

April 29, 2004

Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0609

**Re: File No. PCAOB-2003-09**

Dear Mr. Secretary:

The Center for Public Company Audit Firms (the “Center”) of the American Institute of Certified Public Accountants (“AICPA”) respectfully submits the following written comments on the proposed rule the Public Company Accounting Oversight Board (the “Board” or the “PCAOB”) has filed with the Securities and Exchange Commission (the “SEC” or the “Commission”) regarding withdrawal from registration with the PCAOB. The Center was established by the AICPA to, among other things, provide a focal point of commitment to the quality of public company audits and provide the Commission and the PCAOB, when appropriate, with comments on its proposals on behalf of Center member firms. The AICPA is the largest professional association of certified public accountants in the United States, with more than 350,000 members in business, industry, public practice, government and education.

The Center recognizes the enormous effort put forth by the Commission and PCAOB members and staffs to implement the provisions of the Sarbanes-Oxley Act of 2002 (the “Act”). Center member firms that audit issuers are required to register with and follow the rules of the Board. The Center seeks to assist its member firms in fulfilling their responsibilities required under the Act. To that end, the Center appreciates the opportunity to comment on the proposed rule regarding the withdrawal from registration by public accounting firms.

Overall, the Center is supportive of the proposed rule PCAOB-2003-09, *Withdrawal from Registration*. We believe, however, that the proposed rule could be clarified and improved in several respects and offer the following comments:

- Paragraph (c), Effect of Filing –  
The PCAOB rule, in subparagraph (2), outlines certain conditions that will take effect beginning on the fifth day following the Board’s receipt of a completed Form 1-WD. We question why these conditions do not take effect on the next business day following the filing of a completed Form 1-

WD. For instance, according to the rule, beginning on the fifth day following the Board's receipt of a completed Form 1-WD, any annual fee assessed shall be zero. Accordingly, a firm may be required to submit an annual fee to the PCAOB because the fee is due within 3 days of filing the Form 1-WD. Otherwise, the conditions indicate that the annual fee would be zero if the Form 1-WD had been completed two days earlier.

Another condition states that the firm's registration status is not designated as "registered-withdrawal request pending" until five days following the Board's receipt of a completed Form 1-WD. The Center believes that it is in the public interest that the firm's registration status be modified to "registered – withdrawal request pending" on the next business day following the filing of a Form 1-WD.

Accordingly, the Center recommends that the conditions outlined in subparagraph (2) take effect on the next business day following the filing of a completed Form 1-WD. The section-by-section analysis of the rule states that the five-day requirement was put in place for "administrative and processing purposes," however, given advances in technology together with the sophisticated web-based registration system the Board has put in place, the Center believes there is no reason why the conditions could not take effect on the next business day.

▪ Paragraph (d), Board Action –

The PCAOB rule states that withdrawal of registration may be delayed for a period of up to eighteen months if the Board determines that withdrawal would be inconsistent with the Board's responsibilities, such as its responsibility to conduct inspections. As the proposal is unclear as to the specific factors the Board would consider, the Center recommends that those factors be clearly outlined to ensure consistency in application by the Board and to ensure that firms know what is expected in this regard. For instance, is it to be presumed that the Board would deny a request for withdrawal of registration until it had performed inspections (regular or special) covering all years in which the firm audited issuers? Specifically, if a firm underwent an inspection in 2004, received a PCAOB inspection report in 2005, and withdrew from performing audits of issuers in 2005 and simultaneously requested withdrawal from PCAOB registration, would the Board deny the withdrawal application so that the Board could perform a special inspection of the 2005 issuer audit(s)? Alternatively, if a firm underwent an inspection in 2004, received a PCAOB inspection report in 2005, withdrew from performing audits of issuers in 2005, and requested withdrawal from PCAOB registration in 2006, would the Board deny the withdrawal application so that the Board could perform a special inspection of the 2005 issuer audit(s) even though those issuer(s) were subsequently audited by a PCAOB-registered firm without requiring prior year restatement? The Center believes that in order to set reasonable expectations with registered firms and to ensure consistency in application, the factors causing an eighteen month delay of withdrawal of registration should be clearly outlined.

The Center has three other comments that are not addressed in Rule 2107 but are pertinent to the request for withdrawal from registration, as follows:

- Once a firm has withdrawn from registration, the rule does not indicate the time period under which the firm's publicly available information that is maintained on the PCAOB's website and in the PCAOB files will remain public. Although, the PCAOB states in the section-by-section analysis of

the rule that it intends to adopt a practice of using three years, the Center believes that the policy should be formally incorporated in the rule so that firms and their personnel are aware of the time period under which the firm's publicly available information will remain public once a firm has withdrawn from registration.

- In its July 18, 2003 document entitled "Frequently Asked Questions Regarding Registration with the Board" ("FAQ"), the PCAOB stated that some firms with no public company clients may wish to register so that they will be in a position to obtain such clients. The document also stated that the "Board does not encourage the registration of firms that have no public company clients and are not actively seeking to develop a public company clientele" and that "the Board may consider requiring de-registration of firms that, for an extended period, do not audit, or play a substantial role in the audit of, any public company and do not engage in any other activity that requires registration."

The Center noted that the proposed rule does not contain a provision outlining the conditions under which the Board would initiate de-registration of such firms. It is the Center's belief that firms should be permitted to register and remain registered with the Board even though they have no public company clients. While such firms may not be involved in public company audits, they may be seeking to obtain work in this area or do non-audit work for an issuer. If such firms were not already registered with the Board, it could be perceived as a barrier-to-entry in the public company audit market. The Board, in its FAQ, indicated that while registration is permitted, it is not encouraged, and such firms could be de-registered on the Board's own initiative.

The SECPS had commented to the PCAOB on its proposed rule that if this remains the intent of the Board, the proposed rule should contain guidance as to when firms could expect such de-registration, and whether registered firms will be permitted to challenge such de-registration. The PCAOB responded in the section-by-section analysis of the rule that it recognizes our concern, but this rule is the not the appropriate place to handle this matter and any procedure for involuntary de-registration would be the subject of a separate rulemaking. The Center respectfully submits that this policy should be formally outlined in this rule or another rule as soon as possible so that firms and their personnel are made aware of the Board's intentions with respect to de-registration and the related appeal process.

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The Center appreciates the opportunity to provide comments on the proposed rule on withdrawal from registration. We are firmly committed to working with the SEC and PCAOB in accomplishing the timely and effective implementation of the Act and would welcome the opportunity to meet with you to clarify any of our recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Kueppers". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Robert J. Kueppers

Chair

Center for Public Company Audit Firms

cc: Chairman William H. Donaldson  
Commissioner Cynthia A Glassman  
Commissioner Harvey J. Goldschmid  
Commissioner Paul S. Atkins  
Commissioner Roel C. Campos

William J. McDonough, Chairman of the PCAOB

Kayla J. Gillan, Member

Daniel L. Goelzer, Member

Willis D. Gradison, Member

Charles D. Niemeier, Member