

September 9, 2015

Securities and Exchange Commission
100 F St. NE
Washington DC 20549

Dear Chair White and Commissioners Aguilar, Gallagher, Piwowar and Stein:

We are a group of academics, former policymakers and investor advocates with an interest in the auditing and financial reporting quality of companies listed in the US and internationally, an interest we know we share with you. We understand that James Doty's initial term as Chair of the PCAOB is nearing a conclusion and that the Commission will be deciding whether he should be reappointed. Our purpose in sending this letter is to express our support for Chair Doty's reappointment and to explain the reasons for this support.

Under Chair Doty's leadership and in collaboration with the SEC, the PCAOB has undertaken an agenda to improve audit quality that is informed by the best possible evidence and economic analysis. He has developed the organization's capability to analyze the unique data the PCAOB collects through its inspections to inform the Board, the staff, auditors and investors. This approach has contributed to the quality of the deliberations and has resulted in a number of significant accomplishments for the PCAOB as well as a docket of initiatives that promises significant improvements to audit oversight.

As described further below, reappointing Chair Doty will recognize these accomplishments and maximize the likelihood that present initiatives develop fully.

- During Chair Doty's term, the PCAOB has improved its oversight of registered firms in the US and in countries around the world, and has further developed the PCAOB's capacity to conduct inspections. The enforcement cooperation agreement with China in 2013 after several years of negotiations is a key accomplishment, during which time Chair Doty demonstrated his patience, persistence and acumen for diplomacy.
- The PCAOB initiated substantive projects on factors that contribute to low quality audits, drawing on lessons from its inspection findings. The projects dedicated to root cause analysis and audit quality indicators have considerable potential to inform the Board's policy and enforcement activities, as well as the auditing profession, investors and academics.
- The PCAOB has made significant efforts to improve audit quality through its standard-setting activities. These activities include standards AS Nos. 16 – 18, and proposals to improve transparency with respect to audit participants and to provide information about audit quality.
- The PCAOB has improved communications to key constituencies. It has been innovative in its outreach to audit committees, moving from initial suggestions

from audit committee members in October 2014 to issuing its first Audit Committee Dialogue in May 2015.

- The PCAOB has enhanced the reporting of its inspections to allow readers to better identify the accounting and auditing issues associated with each finding. The improved reporting allows auditors, investors, regulators, academics and students to better understand the issues underlying audit deficiencies.
- The PCAOB has enhanced communication with the academic community. It is now regularly inviting researchers to present to the Board as well as attending and presenting at academic association meetings. The exchange promotes a better understanding of the issues faced by the auditing profession, the PCAOB and the SEC, and motivates greater involvement by academics in research on auditing quality.
- Chair Doty's vision led to the creation of the Center for Economic Analysis. The Center's aim is not only to support and enable high-quality research into the costs and benefits of auditing standards, PCAOB inspections and enforcement actions, but also to inform the PCAOB's actions and policy. The Center has already sponsored several research projects and is actively supporting numerous opportunities for academics to engage in research relevant to the PCAOB's activities. The Center also held its first conference in November 2014, in collaboration with one of the top academic journals, *Journal of Accounting Research*, and it will hold its second conference in October 2015.

To conclude, given the importance of financial reporting and auditing quality to the functioning and stability of financial markets, we believe it is important that the PCAOB has a Chair who enables and continues its current agenda. James Doty's vision and agenda have advanced the mission of the SEC and PCAOB to oversee and improve audit quality, and in our opinion, he has been an exemplary public servant. Many of the initiatives in his agenda inherently take time to implement. We therefore strongly support his continued leadership for a second term to allow these initiatives to come to fruition.

Sincerely,

Max Bazerman
Harvard University

John Bogle
Founder and Former CEO, Vanguard

Charles A. Bowsher
Former Comptroller General of the United States

The Honorable Richard C. Breeden
Former Chairman, U.S. Securities and Exchange Commission

Joseph V. Carcello
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Douglas R. Carmichael
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John C. Coffee
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The Honorable Arthur Levitt
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The Honorable Paul A. Volcker
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