



Highlights of [GAO-04-217](#), a report to the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Services

Why GAO Did This Study

The Sarbanes-Oxley Act of 2002 required GAO to study the potential effects of requiring public companies registered with the Securities and Exchange Commission (SEC) to periodically rotate the public accounting firms that audit their financial statements. On November 21, 2003, GAO issued its report entitled *Public Accounting Firms: Required Study on the Potential Effects of Mandatory Audit Firm Rotation (GAO-04-216)*. This supplemental report contains a copy of each questionnaire used in our study, annotated to show summary responses for each question and selected comments from respondents. GAO is issuing this supplemental report to provide additional detail on the responses to our surveys on the potential effects of mandatory audit firm rotation and to facilitate future research efforts in performing studies related to these matters.

www.gao.gov/cgi-bin/getrpt?GAO-04-217.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jeanette M. Franzel at 202-512-9471 or franzelj@gao.gov.

MANDATORY AUDIT FIRM ROTATION STUDY

Study Questionnaires, Responses, and Summary of Respondents' Comments

What GAO Found

In its November 2003 report, *Public Accounting Firms: Required Study on the Potential Effects of Mandatory Audit Firm Rotation (GAO-04-216)*, GAO reported that, considering the costs and benefits of mandatory audit firm rotation and the recent reforms being implemented as a result of the Sarbanes-Oxley Act of 2002, several years' experience will be needed to evaluate the effects of the act. GAO concluded that the most prudent course of action at this time is for the SEC and the Public Company Accounting Oversight Board (PCAOB) to monitor and evaluate the effectiveness of the Sarbanes-Oxley Act's requirements for enhancing auditor independence and audit quality. In that respect, GAO reported that audit committees, with their increased responsibilities under the act, can play a very important role in enhancing auditor independence and audit quality. For example, if audit committees regularly evaluate whether audit firm rotation would be beneficial, given the facts and circumstances of their companies' situation, and are actively involved in helping to ensure auditor independence and audit quality, many of the intended benefits of audit firm rotation could be realized at the initiative of the audit committee rather than through a mandatory requirement.

As part of the study cited above, GAO surveyed the 97 public accounting firms that reported having 10 or more SEC clients and drew a random sample of 330 of the Fortune 1000 public companies' chief financial officers and their audit committee chairs. This report contains summary survey responses to each question received from 74 of the public accounting firms, 201 chief financial officers, and 191 audit committee chairs.

A number of the survey questions also provided an opportunity for respondents to explain their answers to certain questions, write in other answers to the questions rather than the choices provided, and to provide any other comments on the issues presented in the surveys. Selected comments to some of the open-ended questions included in the surveys reflect the range of views that were provided by the respondents. While they provide valuable insights, the number of comments reproduced in this report is not necessarily proportional to the number of similar responses, and, therefore, the comments are not meant to be representative of the views that might be found in each of the populations as a whole.