



National Association of State Boards of Accountancy
150 Fourth Avenue North, Suite 700, Nashville, TN 37219-2417
Tel 615/880-4200 Fax 615/880-4290 Web www.nasba.org

August 27, 2007

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006-2803

Via e-mail to: comments@pcaobus.org

Re: PCAOB Release No. 2007-008 July 24, 2007:
PCAOB Rulemaking Docket Matter No. 17

To the Members of the Board:

We appreciate the opportunity to offer comments to the Public Company Accounting Oversight Board (Board) on the Proposed Ethics and Independence Rule 3526, Communicating with Audit Committees Concerning Independence, Proposed Amendment to Rule 3523, Tax Services for Persons in Financial Reporting Oversight Roles and Implementation Schedule for Rule 3523 (Proposal). The National Association of State Boards of Accountancy's (NASBA) goal is to increase the effectiveness of State Boards of Accountancy. In furtherance of that objective, our Regulatory Response Committee (Committee) offers the following comments on the Proposal.

The Board is proposing to amend Rule 3523 to exclude the portion of the audit period that precedes the professional engagement period from the scope of Rule 3523. The Committee believes that an enterprise should have the widest possible selection of registered public accounting firms (registered firms) if and when the enterprise decides to change auditors. The Committee also believes that independence of the registered firm selected will not be impaired if the Board adopts its proposal to amend Rule 3523. The Committee supports the Board's proposal.

The Board is also considering whether or not to allow for a transition period in Rule 3523 to accompany the proposed amendment. A transition period would permit a registered firm to conclude tax services to a person in a financial reporting role for the client -- or an immediate family member of such a person -- for a period of time after the initial acceptance of a professional engagement. If a transition period is provided in the rule, we recommend that it state no further services could be undertaken during the transition period.

A transition period will keep open the number of registered firms that an enterprise can choose from if and when it changes auditors. Although in most circumstances an enterprise will have sufficient time to schedule a change to another auditor, there are situations where the present auditor may have to be replaced on short notice. One example would be the commencement of certain litigation between the registered firm

and the auditor. Another example would be where the present auditor has become the auditor of a competitor and the enterprise does not want to use the auditor that its competitor uses. The quarterly and yearly reporting requirements of the enterprise may not allow for a long period of time to choose another auditor. The Committee believes that a transition period for a reasonable period of time should be permitted.

Rule 3523 has a provision for a 180-day transition period when a person in a non-financial reporting oversight role takes on such a role because of hiring, promotion or other change in employment. The Committee believes that the same 180-day period be allowed for a transition period when a registered firm is first engaged. Such a period should provide sufficient time to allow the registered firm and any affiliated firm to conclude the otherwise prohibited tax service engagements. The Committee believes that the public interest is served by a transition period because it allows for the largest pool possible of registered firms that could be chosen as auditors. Also, the Committee believes that public perception of independence will not be affected because the period will be in harmony with an existing transition period.

The Board is proposing Rule 3526 that would expand the communications between a registered firm and its client's audit committee. The Committee supports the disclosures proposed. Although audit committees can ask for any information that they want prior to retaining a registered firm, a rule that requires the proposed initial disclosures will provide a good starting point for discussion of services previously rendered to the prospective client that should be considered by an audit committee. The audit committee can always ask for more information. The Committee also supports the proposal for ongoing disclosures.

Additionally, the Committee agrees with the position of the Board that the basic reasonableness standard proposed not be modified with the words "in the auditor's professional judgment."

The period to be covered for disclosures prior to engagement should be long enough to give the audit committee a good idea of services previously performed. The Committee believes that disclosures to an audit committee prior to initial engagement should cover a period of three years. That information should still be readily available from the records of the registered firm.

Some of the proposed disclosures may require a registered firm to obtain consent from an individual before confidential services rendered to the individual are disclosed to the prospective enterprise client. Although the responsibility to obtain such consent rests with the registered firm, the Committee believes that it would be helpful if the final release by the Board includes a comment that appropriate consents should be obtained prior to disclosure of confidential information and accepting an engagement.

We hope these comments will assist the Board in its work.

Very truly yours,

Sincerely,

Handwritten signature of Wesley P. Johnson in cursive script.

Wesley P. Johnson, CPA
NASBA Chair

Handwritten signature of David A. Costello in cursive script.

David A. Costello, CPA
NASBA President & CEO