

CATHERINE ALLEN  
*Consultant*

office (631) 737.0365  
mobile (631) 219.4209  
fax (480) 247.4903

callen@auditconduct.com  
www.auditconduct.com

8 Bellwood Avenue  
South Setauket, NY 11720

AUDIT X CONDUCT

May 17, 2007

Office of the Secretary  
PCAOB  
1666 K Street, NW  
Washington, DC 20006-2803

Sent via Electronic Mail to: [comments@pcaobus.org](mailto:comments@pcaobus.org)

**Re: Concept Release Concerning Scope of Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles* (Rulemaking Docket Matter No. 017)**

To the Members and Staff of the PCAOB:

In response to the Concept Release concerning the scope of Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*, I offer the following thoughts:

Rule 3523 seeks to safeguard auditor independence by barring accounting firms (or their affiliates) from performing tax services for financial reporting executives of the firm's audit client and their immediate families. The prohibition applies during the audit and professional engagement period and was designed to preclude relationships between the auditor and certain executives, which could result in a mutuality of interests (or the appearance of such) between the parties. The question raised by the PCAOB in the Concept Release is whether independence would continue to be safeguarded if, *for new audit clients only*, the prohibition applied to the professional engagement period only.

I believe it is the "simultaneous association" of the accounting firm as auditor and tax advisor to certain key executives of the company that creates the joint interest, which may impair independence. Tax services provided *prior* to engagement as auditor would not, in my mind, create the mutual interests the rule seeks to prevent because there is no simultaneous association. Accordingly, I believe that the triggering event for rule 3523 should be the professional engagement period; not before. As noted in the Concept Release, rule 3523 is different from other specifically-restricted auditor services applicable to public company auditors. That is, the rule restricts the provision of services to a person associated with the audit client; *not* the audit client itself.

For these reasons, I believe it would be appropriate to limit the scope of this rule – for new audit clients only - to the professional engagement period. This approach would

allow an accounting firm, which had provided tax services to certain executives during the audit period, to provide audit or other attest services to the company if it ceased performing personal tax services prior to signing an engagement letter or performing attest services (the earlier of the two events). Adopting appropriate limits to the scope of this rule should also benefit public companies and their shareholders by allowing companies greater flexibility in obtaining audit services.

I appreciate the opportunity to comment on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine Allen", with a long horizontal flourish extending to the right.

Catherine Allen, CPA  
Audit Conduct