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

Rulemaking Docket Matter No. 017

Dear Board Members:

I appreciate the opportunity to provide comments on PCAOB Rulemaking Docket Matter No. 017, "Proposed Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees". I believe the proposed rules are the result of a balanced and well reasoned analysis of tax services historically provided by a company's audit firm. The prohibition of specific types of tax services that can impair auditor independence while still preserving the fundamental premise that pre-approved tax services are not independence impairing is the appropriate conclusion of such an analysis. I am supportive of the efforts of the Board to provide clear and concise guidance that can be effectively used by registered firms and the audit committees of issuers to enhance governance and preserve auditor independence.

I currently serve as a Senior Fellow for Corporate Governance on the U.S. Chamber of Commerce and a Global Scholar at the Robinson School of Business at Georgia State University. In addition, I serve as a member of the Board of Directors and member of the Audit Committees of ConocoPhillips, Coca-Cola Enterprises and Equifax, Inc. I was previously CEO of Deloitte & Touche and its global parent, Deloitte Touche Tohmatsu. As a result, I have a perspective on non-audit services, including tax services from "both sides of the aisle". I should point out, however, that the views expressed herein are my own and should not be viewed as representative of the aforementioned companies or organizations.

I would first like to express my view that I believe that audit committee pre-approval requirements enacted by the Securities and Exchange Commission (SEC) under Title II of the Sarbanes-Oxley Act of 2002 are appropriately robust and are functioning effectively at the Boards of Directors of public companies. The review and approval of non-audit services, including tax services is conducted with diligence and deliberation.

Audit committee members undertake and execute their responsibilities with all due seriousness and judgment.

Tax services provided by the audit firm have historically not been viewed as independence impairing and have been specifically preserved as permissible in previous rules issued by the SEC pursuant to the Sarbanes-Oxley Act. My personal belief is that tax services provided by the auditor can serve to enhance audit quality and that retaining the audit firm to provide tax services represents sound business judgment. Virtually all independent research supports the conclusion that tax services provided by the auditor do not cause independence problems and enhance audit quality. This is due to the unique and deep knowledge that the auditor has with respect to its client's business and industry combined with the appropriate historical perspective on the client's tax posture. In addition, as the nature of auditing involves the evaluation and understanding of risk and the impact of risk to the company's financial statements, the auditor is in a unique position to provide tax services that fall within the company's risk tolerance framework. As such, the audit committee should have the freedom to exercise its chartered responsibilities and pre-approve tax services that it deems appropriate and desirable to have performed by the audit firm.

It is in this context that I offer the following comments about specific provisions of the following proposed rules:

Rule 3524 Audit Committee Pre-approval of Certain Tax Services.

This rule mandates that a registered firm seeking pre-approval to perform any permissible tax service to an audit client provide to the audit committee:

"the engagement letter relating to the service, which shall include descriptions of the scope of the service and the fee structure, any amendment to the engagement letter, or any other agreement (whether oral, written, or otherwise) between the firm and the audit client, relating to the service;"

I find this proposed provision particularly troubling from an administrative standpoint. Given my belief that pre-approval processes adopted by audit committees are already working effectively, I believe that the volume of information required to be submitted by the auditor as a result of this proposed rule will impose an unbearable workload on audit committees that will not result in improved determination of independence.

To the contrary, the review of voluminous engagement letters containing standardized business and legal terminology may in fact cause the audit committee to unduly focus on aspects of the proposed engagement that have no bearing on the evaluation of the impact on independence of the proposed service. Multiplying this impact by the significant number of tax engagements that an auditor might propose to a large multi-national company exacerbates the potential burden on the audit committee with no corresponding improvement in governance.

If the Board mandates that the auditor provide all engagement letters to the audit committee, the committee will feel compelled to review this information in detail. In today's corporate governance environment, it is unrealistic to assume otherwise. The Board has already appropriately recognized that tax compliance services are not independence impairing. Therefore, requiring the auditor to supply hundreds of pages of tax compliance engagement letters will not enhance the ability of the audit committee to exercise its judgment around independence.

The engagement letter serves a valuable purpose in documenting the understanding of the scope, deliverables and pricing of a proposed project with the client. All of this information is valuable to the audit committee in evaluating the impact of the proposed service on independence. However, it is beneficial to the exercise of professional judgment by the audit committee to have this information extracted from the engagement letter for the consideration of the audit committee. The auditor should be compelled to produce whatever information the audit committee in its judgment feels is necessary to evaluate the impact of the proposed service on independence. I urge the Board to craft the final rule to simply mandate that the auditor supply the audit committee with whatever information it deems necessary to determine the independence impact of any proposed service.

I am supportive of provisions (b) and (c) of Proposed rule 3524 which require the auditor to discuss with the audit committee the potential effects of the services on the independence of the firm and to document the substance of its discussion. I believe this will provide appropriate evidence that the auditor has provided sufficient information to enable the audit committee to exercise its professional judgment.

Rule 3501 Definitions of Terms Employed in Section 3, Part 5 of the Rules

There is an inconsistency between the definition of an executive in a Financial Reporting Oversight Role as defined in proposed rule 3501(f)(i) and the Board's discussion of proposed Rule 3523 contained on page 36 of PCAOB Release 2004-015. Specifically, the Board's discussion states that "directors whose only role at an issuer audit client is to serve on the board would not be covered by the rule". However, the proposed definition in Rule 3501(f)(i) is verbatim to the SEC definition which includes a member of the board of directors. This would imply that Rule 3523 would be applied to members of the board of directors of an issuer audit client. I recommend that the Board specifically exclude members of the board of directors either in the definitional language of Rule 3501 or include an exception for members of the board of directors within the body of Rule 3523. To do otherwise would impose an undue hardship on board members seeking to obtain high quality comprehensive tax services from large registered firms. This is due to the fact that board members often serve on multiple boards that are audited by different registered firms.

I agree with the proposal to eliminate contingent fees for tax services, recognizing that the American Institute of Certified Public Accountants (AICPA) had prohibited contingent fees until the Federal Trade Commission (FTC) took action to require the AICPA to allow such fees. The final FTC order was signed July 26, 1990.

In closing I reiterate my appreciation for the opportunity to comment on the proposed rules and commend the Board's efforts in adopting meaningful rules which will strengthen independence while preserving the ability of registered firms to serve their issuer clients in the important area of taxation.

Should the Board have any questions or wish to speak with me regarding my comments, please do not hesitate to contact me.

Very truly yours,