

APRIL 3, 2007 OPEN MEETING

**CONCEPT RELEASE CONCERNING SCOPE OF RULE 3523
TAX SERVICES FOR PERSONS IN FINANCIAL REPORTING OVERSIGHT ROLES**

Statement of Daniel L. Goelzer

I want to emphasize the narrowness of the issue we are considering today. The proposed concept release does not re-open the question of whether auditors ought to be able to simultaneously audit a company's financial statements and provide personal tax services to the executives responsible for the company's financial reporting. When the Board adopted Rule 3523, it decided that auditing and tax work for the client's financial reporting executives don't mix. Nothing in the concept release suggests that that basic principle is up for re-consideration.

The concept release deals with the much more limited issue of whether an accounting firm that has assisted company executives with their taxes should be able to accept an assignment as the company's auditor later in the same year. The firm would of course have to end its tax work for the insiders before it was engaged as the company's auditor. But should it be precluded from seeking the audit assignment simply because the tax work occurred during the early part of the same year as would be covered by the first financial statement audit? The purpose of the concept release is to gather views and information on that narrow question.

This issue, like many regulatory problems, requires a balance to be struck between two desirable, but conflicting, goals. In its current form, Rule 3523 draws a bright line -- no tax services for persons in a financial reporting oversight role during any part of the fiscal period under audit. That line is easy to understand and easy to apply. But, in some cases, it reduces choice and may make it harder for companies to switch auditors. All other things being equal, we do not want to stand in the way of the ability of audit committees to select the accounting firm that the committee believes best fits the company's needs.

I am willing to invite comment on whether the rule strikes the right balance, although it is not clear to me that any change in Rule 3523 is necessary. However, I think this is an example of an area in which certainty is almost as important as substance. I regret that we have to extend for the second time the deadline for implementation of this aspect of Rule 3523 without having an answer as to whether it should be changed. I hope that, when July 31 rolls around, we will either be in a position to let this part of the rule take effect or to state definitively how and why it should be amended.