

CHAMBER OF COMMERCE  
OF THE  
UNITED STATES OF AMERICA

DAVID T. HIRSCHMANN  
SENIOR VICE PRESIDENT

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February 14, 2005

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

Re: Rulemaking Docket Number 017

Dear PCAOB Board Members:

The U.S. Chamber of Commerce has watched with keen interest the PCAOB's review of rules pertaining to the provision of tax services by auditors to their public company audit clients. Indeed, we have previously expressed our view that many of the reforms ushered in by the Sarbanes-Oxley Act, particularly the pre-approval responsibilities assigned to audit committees, have helped strengthen auditor independence and contributed to renewed confidence in our capital markets.

The U.S. Chamber of Commerce, the world's largest business federation representing more than three million business organizations of every size, sector and region, strongly supports efforts to strengthen our capital markets and restore investor confidence. However, as we also have made clear on a number of occasions, our desire to achieve these important goals should not become an excuse for redundant or unnecessary regulation.

We are pleased that the Board has recognized that both audit quality and the reliability of corporate tax filings can be enhanced when public companies engage their audit firm for tax services upon pre-approval by the audit committee. As noted in our letter of September 15, 2004, we believe that the pre-approval process provides sufficient safeguards to assure auditor independence and protect shareholders.

We believe, however, that as now drafted some elements of the Board's proposed rules may inadvertently compromise the ability of audit committees to do their job. We also are concerned that, in one instance, the rules may wrongly discourage public companies from seeking appropriate assistance from their auditor. We believe these concerns can be addressed with some modest adjustments.

We understand the Board's desire to prevent the auditor from providing tax advice on an aggressive tax position that was initially recommended by the audit firm. We do not take issue with the Board's proposed restriction on such advice. But, as currently drafted, rule 3522(c) also seems to restrict the auditor from offering advice on a strategy proposed by "another tax advisor." In this regard, we note Commissioner Goelzer's observation in the December 14 public meeting that a public company would 'naturally' turn to its auditor in this circumstance. We believe the words "or another tax adviser" could wrongly prevent public companies from obtaining valuable and appropriate assistance. We would strike the four words "or another tax adviser" from the proposed rule.

We also are troubled by the proposed new documentation requirements for audit committee pre-approval of tax services in proposed rule 3524. We agree with the directive that auditors must inform the audit committee about the scope of the proposed tax work and the fee arrangement and also discuss the potential impact on independence. But we believe that requiring auditors to provide audit committees with engagement letters "relating to the service" could overload audit committees with hundreds of engagement letters in the case of larger companies. That would mean hundreds and possibly thousands of pages of unnecessary reading for audit committee members.

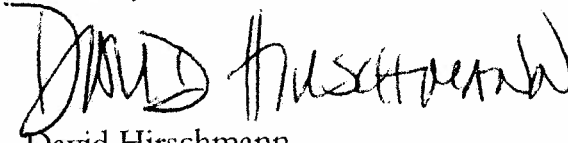
Our member companies tell us that audit committees have established effective pre-approval policies and practices. We are concerned that layering the committees with additional paper could unintentionally interfere with successful processes already in place. We believe the Board can achieve its goal with a simple requirement that the auditors inform the audit committee about the scope of the work, the fee arrangements and the impact on independence – but without the specific mandate to provide engagement letters. The Chamber believes audit committees should have access to the documentation they require. But the Chamber also believes that the audit committee is in the best position to determine what specific documentation it requires from the auditor to do its job. The Chamber would modify this rule by removing the requirement that the auditor provide the audit committee with engagement letters.

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We believe the modifications identified above would enhance the effectiveness of the proposed rules and also reduce the chance of unintended consequences that would diminish audit quality or interfere with the effectiveness of the audit committee.

We appreciate the opportunity to provide our views on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "David Hirschmann". The signature is written in a cursive style with a large, stylized "D" at the beginning.

David Hirschmann

Cc: William J. McDonough  
Kayla J. Gillen  
Daniel L. Goelzer  
Bill Gradison  
Charles D. Niemeier