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August 12, 2003

Office of the Secretary  
PCAOB  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Re: Rulemaking Docket No. 005: Proposed Rules on  
Investigations and Adjudications

Dear Sir/Madam:

I am an attorney with no affiliation to any public accounting firm required to register with the Public Company Accounting Oversight Board (the "Board"). I commend the Board on its proposed rules relating to its investigations and adjudications, but offer the following comment.

In its Release No. 2003-012 dated July 28, 2003 and its related Working Paper dated April 21, 2003, both concerning the Board's proposed rules for its investigations and disciplinary proceedings, I do not believe the Board has made sufficient disclosure of its authority under Section 105 of the Sarbanes-Oxley Act (the "Act") to conduct "an investigation of any act or practice, or omission to act, by a registered public accounting firm, any associated person of such firm, or both, that may violate...**professional standards**...", which is defined in Section 2 of the Act to mean not just "auditing standards" but also **accounting principles** which are "relevant to audit reports for particular issuers." (emphasis added).

Thus, the Board has statutory authority to investigate and discipline registered firms and their associated persons regarding matters similar to those set forth in the following recent examples of Commission enforcement proceedings: (i) Pricewaterhouse Coopers, LLP for that firm and its engagement partner's failure to comply with "Generally Accepted Auditing Standards" ("GAAS") due to improper restructuring reserves of its client's financial statements which did not conform to Generally Accepted Accounting Principles" ("GAAP")<sup>1</sup>; (ii) Arthur

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<sup>1</sup>Securities Exchange Act of 1934, Release No. 47900, May 22, 2003, Order Instituting

Andersen LLP for its materially false and misleading audit reports on Waste Management, Inc.'s financial statements which were not presented fairly, in all material respects, in conformity with GAAP<sup>2</sup>; or (iii) the Commission's complaint filed against KPMG and four of its partners for engaging in fraud by permitting Xerox Corporation to manipulate its accounting practices to fill a \$3 billion gap between actual operating results and those reported, in violation of GAAP.<sup>3</sup>

I would suggest that the Board spell out more clearly, with examples, that the Board's authority to investigate and discipline registered accounting firms and their key personnel includes failures by its clients to conform to GAAP in financial statements reported on as being presented fairly in conformity with GAAP, and not merely to such accounting firm's and associated persons' failures to comply with GAAS in conducting their audit..

Very truly yours,

Robert Chira

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Public Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice.

<sup>2</sup> AAER Release No. 1405, Securities Release No. 34-4444, dated June 19, 2001, Order Instituting Public Administrative Proceedings Pursuant to Rule 102(e) of the Commission's Rules of Practice.

<sup>3</sup> SEC v. KPMG LLP, et al, Civil Action No. 03-CV-0671, U.S.D.C., S.D.N.Y., filed Jan. 29, 2003.