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Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 2006

RE: PCAOB Rulemaking Docket Matter No. 017 – Proposed Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence* and Proposed Amendment to Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*, PCAOB Release No. 2007-008

Dear Board Members and Staff:

We are pleased to provide our comments on the above captioned matter. BDO Seidman, LLP is a member of BDO International, a global network of independent professional accounting firms in 95 countries worldwide. We welcome the opportunity to provide comments on key issues affecting the standards used to establish registered firms' independence. We endorse the PCAOB proposal to amend Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*, permitting the registered firm to provide such tax services during the audit period that precedes the beginning of the engagement, and adoption of Rule 3526, *Communication with Audit Committee Concerning Independence*.

Rule 3523

We believe that when tax services provided to restricted individuals in a financial reporting oversight role are completed before the firm's audit engagement begins, there is no mutuality of interests, or conflict, and their appearance is not a risk. The new provisions of Rule 3523 are appropriate, as the exceptions reduce the hardship upon the issuer and affected individuals. We believe that the PCAOB made a step forward in reviewing applicability of the rule by adding a carve out (via footnote) for Initial Public Offerings ("IPO").

However, we have the following comments to clarify and enhance the proposed amendment to the Rule:

We believe the Board should not only apply the exception of application of Rule 3523 for periods before the engagement period to initial public offerings, but also expand such exception to other corporate life events that cause existing clients to become first subject to SEC and PCAOB regulations, such as mergers, reverse mergers, companies with over 500 shareholders, and initial 11K filers. By limiting the exclusion to initial public offerings, other similarly affected entities face undue financial hardships by requiring a change in auditors and possible re-filings.

To ensure compliance with Treasury Department regulations, we wish to inform you that any tax advice that may be contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or applicable state or local tax law provisions or (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein.



We further recommend that the 180 day transition period not only apply as a result of employment status, but be expanded to include individuals at existing clients that first become subject to SEC and PCAOB requirements, as well as for situations involving new audit clients. Otherwise, these individuals would be confronted with undue hardship by having to seek new accountants. Individuals in these circumstances may be hampered because of inflexible filing deadlines imposed by foreign tax jurisdictions.

Rule 3526

While we generally support the Board's proposed Rule 3526, we think that audit firms and audit committees are already cognizant of and reactive to their responsibilities, which are prescribed in the independence rules, so we do not believe that adoption of Rule 3526 would have a significant effect on current practice. In adopting the final rule, we believe that the Board should leave to the discretion of the audit committee and the auditor the appropriate time period for communicating in detail relationships that may impact independence. If the Board does not agree with leaving the time period covered by these discussions to the judgment of the auditor and the audit committee, we suggest the covered period be limited to the number of years of audited financial statements in the initial filing after appointment of the auditor.

Regarding the Board's questions listed in the proposal, we note the following:

1. Would proposed Rule 3526 assist registered firms and audit committees in fulfilling their respective obligations with respect to auditor independence?

Although we believe that the present compliance with the Independence Standards Board ("ISB") Standard No.1 result in audit firms fulfilling their responsibilities as to communications with audit committees, we endorse the Board's action in proposing Rule 3526. Including the requirement for the auditor to detail any relationships to the client's audit committee at the onset of engagement enhances the accounting firm's, as well as the audit committee's commitment to independence. However, as noted above, we believe further clarification is needed regarding the period covered by such communications.

In addition, where unique circumstances prevent the required communications by the auditor at engagement for an existing client first subject to SEC and PCAOB requirements, there should be flexibility allowing the audit committee and the auditor to agree on alternate timing for such exchange. This would occur in situations where the existing client may initiate an IPO process, subsequent to the auditor beginning work on a current audit engagement.



2. Would proposed Rule 3526 assist audit committees in making a decision regarding appointment of a new auditor?

As discussed earlier, we believe that auditors and audit committees are already responsive to their independence responsibilities. However, we do support enhancements to communications as proposed by the Board's Rule 3526, which may not be specifically addressed in the ISB standard.

3. Should proposed Rule 3526 require the registered public accounting firm to communicate any additional matters on auditor independence to the audit committee? If so, what specific communications should the auditor be required to make to the audit committee?

We do not believe additional matters need to be mandated under PCAOB Rule 3526. There are sufficient regulations and guidelines addressed by the SEC, stock exchanges and other regulatory authorities requiring specific information to be discussed with the client's audit committee. The audit committee is responsible for actively engaging in a dialogue with the auditors relating to the disclosure of any relationships or services that may reasonably be thought by the auditor to bear on independence and should take appropriate action, if necessary, to ensure the continued independence of the auditor.

4. To what extent if any, are accounting firms already making the kinds of communications that would be required by proposed Rule 3526?

We believe auditors and audit committees are already making the kinds of communications that would be required by proposed Rule 3526.

5. Should the initial communication required under proposed Rule 3526(a) be limited to relationships that existed during a particular period? If so, why, and how long should the period be?

Relationships existing prior to the auditor being engaged which may be a concern should be communicated to the audit committee, consistent with ISB No. 1. For the initial period of the engagement, we think the relevant period should be left to the judgment of the auditor and the audit committee, or, alternatively, should be limited to the period(s) covered by the initial filing subsequent to the engagement of the auditor. The proposal and release, as currently drafted, leaves it unclear as to the period that needs to be covered in this initial communication. Periods earlier than the periods covered by the filing should not have any bearing on the audit committee's decision to engage the auditor.

In addition, the auditor should not have to repeat prior communications, unless updates are necessary, and where it would be reasonable to believe there would be an impact on the auditor's independence.

Appropriate communications to new audit committee members, including matters affecting independence, should be the responsibility of the audit committee, not the auditor.



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6. Should the Board provide a transition period in Rule 3523 to allow a registered public accounting firm to complete covered tax services once the professional engagement begins? If so, why is such a transition period necessary? How long should any such transition period be?

Please see our response to these questions earlier in this letter, in our comments on the proposed changes to Rule 3523.

We appreciate the ability to comment on Release 2007-008. Should you have any questions, please contact Lawrence Shapiro, National Director of Independence at (212) 885- 8560.

Very truly yours,

A handwritten signature in black ink that reads "BDO Seidman, LLP". The signature is written in a cursive, flowing style.

BDO Seidman, LLP