

February 11, 2005

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

Email: comments@pcaobus.org

Re: PCAOB Release No. 2004-015 December 14, 2004
PCAOB Rulemaking Docket Matter No. 17

Dear Board Members:

Thank you for the opportunity to offer comment to the Public Company Accounting Oversight Board on the Proposed Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees. We appreciate this vehicle as a forum to assist in clarifying both the standards base and their enforcement mechanisms.

While we feel PCAOB release 2004-015 establishes standards that are for the most part simple and easy to understand, we have seen widespread, predictable evidence that many firms remain reluctant to sever Audit from Non-Audit Services among their Vendor Partners. Therefore, we as a community have not gained the full measure of security and comfort which the standards were built to impart to investors.

While we understand that the Sarbanes-Oxley Act allows for certain non-audit services, we are left with a single question: why would any Audit Committee risk the independent status of their Auditor/Sarbanes-Oxley Certifying Authority by allowing them to perform non-audit services within the same account? Much less why would an Audit Firm take such a risk? It should be obvious that non-audit services inherently create great undue concern for Regulators, Investigators, Audit Firms, Audit Committees, Providers of Directors Insurance, Investors, and other interested parties.

One of the primary lessons we learned from Sarbanes-Oxley compliance work is that Risk Management is the key to understanding and successfully implementing a culture of compliance. It should begin with an evaluation of the risks associated with non-audit services being provided by the Independent Auditor/Sarbanes-Oxley Certifying Authority. Therefore, let us review a few of the risks/costs associated with loss of independence:

- What are the costs of replacing your Independent Auditor/Sarbanes-Oxley Certifying Authority and repeating audits that are impacted by the loss of independence?
- What are the costs to the reputation of a public company, stock value, and to individual officers or directors?
- How will stockholders react to this type of loss considering the increasing level of investor sophistication?

- Who will be responsible for these costs, how will that be determined, and what will it cost to make that determination?
- What are the risks to the Independent Auditor/Sarbanes-Oxley Certifying Authority and can this situation create another Arthur Andersen with subsequent degradation of the entire community's reputation?

Similarly, it is useful to review successful mitigate strategies:

- Use a firm not associated with the Independent Auditor/Sarbanes-Oxley Certifying Authority (provides additional tax practices review benefit).
- Write contracts that provide a clear understanding of the services that will be allowed, the liability when independence is breeched, and other mitigating requirements.
- Audit Committees should create policies that set strict requirements for approval of non-audit services.

It should be expected that, at some point, the providers of insurance to directors and officers of public companies will react to these issues by requiring additional premiums on approval of non-audit services due to the significant additional risk.

Sarbanes-Oxley was enacted to protect investors by improving the accuracy and reliability of corporate disclosures. These disclosures rely upon the independence of the Auditor/Sarbanes-Oxley Certifying Authority. One of the primary components of Sarbanes-Oxley compliance is the "Tone from the Top". How the Audit Committee deals with compliance is important to the whole process. If the Audit Committee is willing to allow a high level of risk, then it follows they should expect a similar risk tolerance by the employees of the company when dealing with more mundane issues of compliance.

These are primarily issues of leadership and will determine how public companies operate in the future; including setting the level of trust that investors have in the very institution of common stock corporations. As the compliance process is evolutionary, one natural benefit that immediately follows from strict segregation is a reduction in the need for additional or intrusive regulation by the PCAOB, which will minimize lifecycle costs and boost corporate performance. Simply put, by being responsible and acting in the best interest of the investing public we can minimize the amount and cost of future regulation and litigation. It's that "do it right the first time" lessons we preach to our kids but sometimes fail to practice ourselves.

We find great merit in what the PCAOB is proposing with release 2004-015. We also see a need for leadership from Audit Committee members, Independent Auditor/Sarbanes-Oxley Certifying Authority, Officers of Public Companies, and the Advisors for these groups to work toward improving how the investing public views the accuracy and reliability of the corporate disclosures. By restoring the confidence in disclosures we will restore confidence in the business leaders that approve, review, and assemble the information in these disclosures.

Once again, we appreciate the opportunity extended to participate in this process. If additional information is desired, please feel free to contact me at Victoria.Whitlock@Enpria.com or at: 425-576-4004.

Sincerely,



Victoria Whitlock, Compliance Practice Manager
With support from J Michael Hayes, Compliance Analyst