

Frank Mergenthaler
Executive Vice President and
Chief Financial Officer

Interpublic Group
1114 Avenue of the Americas
New York, NY 10036
(212) 704-1381 tel
(212) 704-2267 fax

frank.mergenthaler@interpublic.com



December 8, 2011

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

Subject: PCAOB Rulemaking Docket Matter No. 37: Concept Release on Auditor Independence and Audit Firm Rotation

Dear Chairman Doty:

Interpublic Group of Companies' Senior Management team would like to submit our response to the proposed recommendations of the Public Company Accounting Oversight Board's (PCAOB) Concept Release on Auditor Independence and Audit Firm Rotation.

We appreciate the PCAOB's efforts to enhance auditor independence. However, we do not believe that the PCAOB's recent proposal of audit firm rotation will result in the desired outcome of increasing auditor independence to achieve higher quality audits. Instead, we believe that for large global companies such as ours, the knowledge loss, significant disruption and cost to the business associated with educating a new audit firm every few years would have a negative impact on the overall quality of an audit that would far outweigh any perceived benefit of enhanced auditor independence. Our concerns are as follows:

- **Audit Effectiveness:** The knowledge of how a company operates, its policies and procedures, as well as, the knowledge of company contacts necessary to perform an audit is absolutely critical to the success of an audit. The coordination and training of the auditor's offices globally that is needed to perform an audit of a large global organization is very complex and takes a detailed understanding. We believe there is a higher likelihood of audit failure while a new firm is learning the organization and how to coordinate and train their global resources so they have the expertise required to perform a quality audit. Instituting the proposed 5 year mandatory rotation would result in a deep knowledge of an organization not being fully gained due to the limited tenure of the audit firms.

Audit firms may also not be willing to invest their time, money and resources in their employees' development or other tools to support the audit due to the limited time they would have to potentially add value, which could be detrimental to building the audit firm's knowledge of particular industries.

- **Increased Audit Costs and Business Disruption:** Many studies have shown that rotating audit firms can result in increased fees upwards of 20% for the first year as a result of on-boarding and transition. This cost does not include the internal disruption to the organization's management and time spent on-boarding the new firm. A significant loss of company's time spent performing their everyday job responsibilities while bringing a new audit firm up to speed could also negatively impact the control environment.

Additionally, our Company along with many other organizations utilizes multiple firms to provide consulting services such as: Internal Audit, project management roles for system implementations, tax advisory services and other services. Due to the independence requirements prohibiting the services from being provided by an audit firm within one year of their start date, the proposed mandatory rotation would significantly disrupt these other services across the entire organization and result in additional cost.

- **Limited Service Providers:** Industry skills, experience and global capabilities vary amongst the audit firms, even within the Big Four. There are a limited number of audit firms with the global capabilities to serve our Company. Our Company operates in over 100 countries resulting in the need for an audit firm to have local resources that not only understand our business but the local culture, accounting rules and language. This requirement limits the number of audit firms that would be able to service our Company and if our Company were required to rotate audit firms we believe that quality of service will be adversely impacted.

In addition to our concerns mentioned above, we feel that numerous regulations put in place over the past few years have helped address the issue of auditor independence and have enhanced audit quality.

- **Role of the Audit Committee has been strengthened:** Following the financial scandals in early 2000 and the economic crisis that started in 2008, there has been a significant increased focus on enhancing the role of the audit committee. In its new role, the typical audit committee is charged with a wide range of duties that help support independence of the auditors and ensure audit quality, including:
 - ✓ Sarbanes Oxley Act of 2002 mandated that approval of the audit service provider must be obtained from the Audit Committee thus increasing objectivity and independence.
 - ✓ The Audit Committee's enhanced involvement overseeing and partnering with the external auditors over the past decade has contributed significantly to improving audit quality.
 - ✓ Overseeing a company's financial reporting and evaluating its external and internal audit processes.
 - ✓ Reviewing quarterly and year-end financial statements and related Form 10-Q or 10-K disclosures.
 - ✓ Implementing whistle-blower procedures to handle complaints of internal accounting, auditing or financial reporting matters.

- ✓ Helping the board of directors oversee compliance with legal and regulatory matters.
- ✓ Enhancements to the Board's role relative to organizational Risk Management.

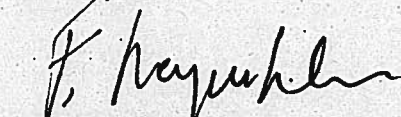
In addition, the New York Stock Exchange (NYSE) and American Stock Exchange (AMEX) have added "financial literacy" requirements for companies trading on these exchanges. SOX required public companies must have an "audit committee financial expert." This rule has helped increase the financial savvy of audit committee members which has also enhanced the audit committee's effectiveness overall.

- **Partner Rotation:** The requirement for partner rotation every five years ensures that a new perspective and objectivity is cultivated. Most firms also take this beyond partner rotation and require other key audit team members be rotated to help support a fresh perspective of the audit team. This approach to rotation is beneficial since it is usually one key team member being rotated at a time which is much less disruptive than having to reeducate an entire audit team.
- **Quality Review Requirements:** The major accounting firms have recognized that there is a need for objectivity, professional skepticism and independence. As a result, the firms have stringent quality review processes which include independent reviewers for key deliverables and quality control procedures performed each year for audit partners. For example, many of the audit firms perform a quality assessment of an audit engagement which includes review of all work papers, scrutiny of key assumptions, and conclusions made by the audit team. We believe that the firms take precautions to ensure that professional skepticism and independence is maintained.
- **PCAOB Assessment Process and Standards:** In addition to the audit firm's internal quality review process, we believe that the PCAOB's oversight and inspection of audit firms provides monitoring over the audit firms and has provided significant improvements over the past years.

We believe that the significant business disruption and cost that comes along with audit firm rotation far outweighs the benefit of increased auditor independence. Countries such as Spain have adopted this policy in the past and have since eliminated the policy because it did not achieve the expected results. We fully support further policies to enhance auditor expertise and integrity such as quality assurance requirements and training on objectivity and professional skepticism. However, we do not believe that mandatory audit rotation provides the solution to increasing independence and audit quality.

Thank you for your consideration.

Sincerely,



Frank Mergenthaler
Executive Vice President and
Chief Financial Officer