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May 16, 2007

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

**PCAOB Rulemaking Docket Matter No. 017:
Concept Release Concerning Scope of Rule 3523, Tax Services for
Persons in Financial Reporting Oversight Roles**

Dear Mr. Secretary:

KPMG LLP is pleased to submit our comments on the Public Company Accounting Oversight Board's (PCAOB or Board) Concept Release relative to the scope of Rule 3523.

We would like to take this opportunity to commend the Board for delaying the implementation schedule of Rule 3523 relative to this scoping issue, and soliciting further comments about the possible effects on an audit firm's independence when providing tax services to a person covered by Rule 3523 during the portion of the audit period that precedes the professional engagement period.

We believe that the Board should amend Rule 3523 so that tax services for persons in financial reporting oversight roles (FRORs) performed during the audit period but prior to the professional engagement period do not impair an audit firm's independence. This amendment should include the following safeguards:

- A signed engagement letter for the tax service is entered into and work of substance commenced prior to the start of the professional engagement period;
- The tax service engagement is discussed with and approved by the audit committee; and
- The tax service is completed within 180 days from the date the professional engagement period begins.

The PCAOB's questions and our comments on each are as follows:

1. To what extent, if any, is a firm's independence affected when the firm, or an affiliate of the firm, has provided tax services to a person covered by Rule 3523 during the portion of the audit period that precedes the professional engagement period?



A wide variety of tax services are permitted under the PCAOB's rules without impacting an audit firm's independence. All of these tax service engagements must be pre-approved by the audit committee.

In some situations, such as those involving tax services to persons in FRORs during the portion of the audit period that precedes the professional engagement period, Rule 3523 creates an independence issue if the audit committee desires to change its audit firm and the potential successor audit firm(s) is providing tax services to a person in a FROR.

We believe that any threat to auditor independence in this situation is minimal and can be mitigated by the application of safeguards as suggested above. These safeguards are consistent with others already contained in the PCAOB's independence rules covering tax services.

2. What effect, if any, would application of Rule 3523 to the audit period have on a company's ability to make scheduled or unscheduled changes in auditors? Could any such effect be minimized or managed through advanced planning or otherwise?

As stated above, Rule 3523 currently limits an audit committee's ability to change auditors by excluding any firm that provides tax services to a person in a FROR during the portion of the audit period that precedes the professional engagement period. In a recent SEC staff speech, the SEC staff indicated that a successor auditor's independence would not be impaired if certain specified prohibited non-audit services were performed during the current audit period provided (1) they related to a prior period, (2) are not subject to successor auditor audit procedures in the current period and (3) are not management functions. The effect of this position is to enhance audit committee choice among audit firms. We encourage the PCAOB to take a similar step by amending Rule 3523 as suggested above. The amended rule would improve the audit committee's choices without creating any measurable threat to the audit firm's independence and, therefore, is in the public interest.

If you have questions or comments regarding the information in this letter, please contact David Winetroub (212-909-5552, dawinetroub@kpmg.com).

Signed,

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