

Interpublic Group
1114 Avenue of the Americas
New York, NY 10036

www.interpublic.com

212 704-1200 tel
212 704-1201 fax



December 13, 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:

The Audit Committee of Interpublic Group of Companies ("IPG") is pleased to submit this response to the Public Company Accounting Oversight Board ("PCAOB") on the proposed approach to mandatory audit firm rotation discussed in the Concept Release on Auditor Independence and Audit Firm Rotation.

IPG is one of the world's premier global advertising and marketing services holding companies. Our agencies deliver services across the full spectrum of marketing disciplines and specialties for clients in every major world market, with offices in over 100 countries. The role of the holding company is setting company-wide financial objectives and corporate strategy, directing collaborative inter-agency programs, establishing financial management and operational controls, guiding personnel and functional services that offer our companies operational efficiencies.

We appreciate the PCAOB's efforts to improve the audit process to better serve investors' interests. However, we do not believe that the proposed mandatory auditor rotation will help increase auditor independence to achieve better quality audits. In our opinion, mandatory audit rotation will have a negative impact on independence and the overall quality of audits.

The Board should seriously consider the impact of the loss of knowledge, significant disruption and substantial costs associated with selecting and educating a new audit firm every few years. In addition, it is difficult to understand how enhanced independence would be achieved where there are only four audit firms with the global presence, level of audit experience and specialized industry knowledge required to audit a large global public company such as IPG.

In our case one or more of the four audit firms could be ineligible because of other services they provide us, such as internal audit, project management roles for system implementations, or tax advisory services.

Mandatory rotation will have an adverse impact on the goal of increasing audit quality due to a new auditor's limited tenure and lack of knowledge of our organization and industry. Based on studies, it is estimated that it takes at least two years for an audit firm to become completely familiar with an organization. The knowledge of how a company operates, its policies and procedures, as well as the knowledge of company contacts necessary to perform an audit are critical factors in a successful audit. Audit firms may be less willing to invest in training and audit tools to educate their people and support their development of industry and company specific knowledge given the limited payback period.

We also believe that auditor accountability would be sacrificed because there is less incentive for the auditor to engage with management and the Audit Committee in a meaningful way.

There will also be a significant increase in cost, and in the time of senior management and the Audit Committee, in connection with selecting a new audit firm, educating it, and managing the handoff from old auditor to the new auditor to gain comfort with starting balances. The audit firms may also be less likely to invest their own time learning the company at the required depths to understand its business if they will be required to rotate every few years. Studies indicate that rotating audit firms can result in increased fees upwards of 20% for the first year. It would also result in increased internal costs. Financial staff will be required to spend more time training and educating the new audit teams and less time focusing on the business. All of this could put a global company based in the United States at a disadvantage to competitors operating in other jurisdictions as we face an additional cost of business they will not have.

The Board should also consider the regulatory requirements that have impacted the Audit Committee's role over the past decade and how they have significantly improved Audit Committee oversight and the quality of interactions with the auditors. We feel the impact of these changes in improving auditor independence and audit quality has been significant. Current standards give the Audit Committee responsibility for oversight, which includes monitoring auditor independence, objectivity and professional skepticism. We take these responsibilities very seriously. IPG's Audit Committee spends a significant amount of time with the external auditors, we question their work, and we meet with them separately from IPG management at every Audit Committee meeting and between meetings to discuss any concerns. Mandatory rotation is more likely to have a negative impact on auditor's independence by diminishing the role of the Audit Committee in the evaluation of the auditor.

The following items have had a particular impact over the past decade in helping to ensure auditors are providing quality audit services while maintaining their objectivity and independence.

Sarbanes Oxley Act: New rules adopted as a result of the Sarbanes Oxley Act of 2002 have given the audit committee responsibility for auditor-related decision making, which has increased auditor objectivity and independence. The audit committee now administers the engagement of the auditor, including the following.

- Preapproval of audit scope and audit services where appropriate, and review of reports, recommendations, and performance by the Company's auditors.

- Discussion of annual and quarterly audited financial statements and the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its annual and quarterly reports.
- Review of the auditor's annual report, which includes (1) the firm's internal quality control procedures, (2) any significant issues noted and the steps to address issues raised by internal quality control reviews, peer reviews, and governmental or professional authority reviews and (3) all relationships between the auditors and the Company and how those relationships affect independence.
- Preapproval of all non-audit services performed by the independent auditors.
- Limitation of permitted non-audit services provided by the auditor.
- Quarterly executive sessions with the auditors without management present.
- Creation of a whistleblower hotline for anonymous complaints about accounting, internal controls, or auditing matters.

New York Stock Exchange (NYSE) Listing Requirements: Regulations have added audit committee "financial literacy" requirements for companies trading on these exchanges. Public companies must have an "audit committee financial expert." These rules have helped increase the financial savvy of audit committee members, which has 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. In a large engagement like IPG's, this rotation happens throughout the entire audit team and has provided significant benefits of a different perspective without the significant cost associated with educating an entirely new team at one time.

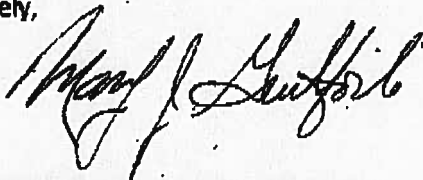
Quality Review Requirements: The major auditing firms have stringent quality review processes which include independent reviewers for key deliverables and quality control procedures performed each year.

PCAOB Assessment Process and Standards: In addition to the audit firm's internal quality review process, we believe that the PCAOB's oversight of the audit firms has had a significant impact on overall audit quality.

In summary, we believe that these regulations and processes serve as a solid framework to help provide assurance that the audit is performed in accordance with professional standards and meets quality assurance requirements. We fully support further policies to enhance auditor expertise, additional quality assurance requirements and training auditors on objectivity and professional skepticism to continue to support enhanced audit quality. However, we feel mandatory auditor rotation could have a negative impact on audit quality resulting from knowledge loss, business disruption, and higher cost, while diminishing the important role of the Audit Committee in the process of selecting and overseeing the external auditors.

Thank you for considering our comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary Guilfoile".

Mary Guilfoile, Audit Committee Chair

David Thomas

Jocelyn Carter-Miller

H. John Greeniaus

Dawn Hudson

William Kerr

Richard Goldstein