



4 August 2008

Ms. Florence E. Harmon
Acting Secretary
U. S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1000

SEC Release No. 34-58121; File No. PCAOB 2008-03

Dear Ms. Harmon:

Ernst & Young LLP (EY) is pleased to submit this comment letter concerning the Public Company Accounting Oversight Board's (PCAOB) proposed rule changes regarding Ethics and Independence, including the adoption of Rule 3526, Communication with Audit Committees Concerning Independence and the amendment to Rule 3523, Tax Services for Persons in Financial Reporting Oversight Roles (the proposed rule changes).

We have previously submitted comments to the PCAOB on these matters as requested in PCAOB Release 2007-008 dated July 24, 2007. We believe that the proposed rule changes are consistent with the requirements of Title I of the Sarbanes-Oxley Act which, pursuant to Section 103(b), directs the PCAOB to "establish such rules on auditor independence as may be necessary or appropriate in the public interest...."

In our prior comments we expressed support for the proposed amendment to Rule 3523, which we believe will provide companies with enhanced flexibility and choice when seeking to change auditors. We believe this amendment is not contradictory to the PCAOB's view that tax services to an individual in a financial reporting oversight role are not compatible with the role of independent accountant. We, therefore, support the amendment as adopted.

Our comments on proposed Rule 3526 were also supportive. The rule fills an existing gap under ISB No. 1 concerning the communication of relevant information about an accounting firm's independence to an issuer's audit committee during the audit committee's decision making process to retain a new independent accounting firm. We believe providing relevant information, in a consistent manner, about the accounting firm's relationships that may have a bearing on independence will aid the audit committee in its important decision making deliberations. Recognizing the mutual responsibility of both the auditor and the audit client concerning independence, we support the rule but have the following continuing observations:

- We believe that the timing of the required written communication of Rule 3526 with respect to the acceptance of an engagement pursuant to PCAOB standards in the circumstance of an existing private audit client's initial registration of securities will have the likely consequence of causing delays in the work associated with such initial registration. In our experience, the gathering and assessment of independence information for a private audit client not previously subject to the SEC's rules will require additional time to complete as the auditor must complete its independence assessment

under a different set of professional standards than those that have been applicable previously. Currently, ISB No. 1 requires communication of certain information to the audit committee that may reasonably be thought to bear on independence prior to the company's initial offering of securities to the public. The timing of such communication currently under ISB No. 1 allows private companies to begin preparation for an initial offering when the timing is suitable and complete independence assessments under the applicable professional standards of the SEC and PCAOB prior to the filing. The PCAOB's proposed rule requires acceptance of the engagement pursuant to the standards of the PCAOB be delayed until independence assessment procedures are complete in order that the auditor meets the requirements under the Rule to issue the required communication to the audit committee. Thus, we understand that the auditor could not participate in the normal activities associated with an initial public offering including commencing the tasks involved with conforming previously issued financial statements to the standards of the PCAOB and SEC until the independence assessment and required communication were complete. This could cause a delay in a client's initial public offering activities.

- While the SEC independence rules require the auditor to be independent during the "audit and professional engagement period," Rule 3526 requires communication of matters that may have existed outside that specified period yet does not provide guidance or clarity on the length of period which should be considered in the case of a company considering a change in auditor. We believe the lack of clarity of this point will cause diversity in practice as to how registered public accounting firms communicate, as it will be up to each firm to determine the period of time to assess independence matters. This will likely result in inconsistent communication among audit firms to audit committees considering a change in auditor.

The PCAOB's adopting release, PCAOB Release No. 2008-003 dated April 22, 2008, provided insight into the PCAOB's thought processes in finalizing its proposed rules after considering our comments and the comments of other responders. The release will aid registered public accounting firms in implementation of these rules and provides some guidance that both firms and clients' audit committees can use. However, numerous matters will be left to the decision making of the individual registered public accounting firms. Once the proposed rule changes become effective, we urge the PCAOB to issue additional interpretive guidance to aid in the consistent application of these rules.

We recommend the Commission approve these rules as adopted by the PCAOB. We encourage the Commission to include clarifying commentary concerning the matters noted above with any order to approve the proposed rule changes.

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We would be pleased to provide the Commission with any additional information on the issues addressed by this letter.

Respectfully submitted,

Ernst + Young LLP