



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Accounting Firms and Tax Shelter Services
Da: Friday, Jan. 23, 2004

In 2002, Sen. Chuck Grassley, chairman of the Committee on Finance, tried to amend the Sarbanes-Oxley accounting standards improvement bill to prohibit public auditors from rendering an audit opinion on the financial statement effects of any tax shelter arrangements that the auditing firm sells to an audit client. The initiative was meant to target shelters that have the potential to manipulate financial statement results, such as overstating profits or understating liabilities. Other senators blocked Grassley from offering his amendment. Now, Grassley has given permission for the General Accounting Office to receive key information from the Internal Revenue Service that will aid a GAO review of this issue. Sen. Carl Levin, ranking minority member, Permanent Subcommittee on Investigations, Committee on Governmental Affairs, requested the GAO review. Grassley made the following comment on this issue.

“Sometimes interest in reform ends when headlines die down. In this case, there’s still a lot of interest among key senators in stopping financial statement manipulation. We need to make sure accounting firms aren’t signing off on abusive tax shelters and then selling them to their auditing clients. These clients need good counsel from an impartial observer before they put themselves on the line. The law should protect them if the accounting firms won’t. I’m glad to help my fellow senator in this effort.”