The Honorable Arthur Levitt, Jr.
Chairman
Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

Dear Chairman Levitt:

Thank you for transmitting a copy of the SEC news release on the independent consultant report finding numerous significant violations of the firm’s, the profession’s, and the SEC’s auditor independence rules by PricewaterhouseCoopers and its partners and other professionals.

I have raised these concerns to the SEC and held Oversight and Investigations Subcommittee hearings about accountant/auditor independence issues in the past. The General Accounting Office’s two-volume 1996 report, The Accounting Profession (GAO/AIMD-96-98), expressed GAO’s belief that “the SEC should take a leadership position in working with the accounting profession to enhance the auditor’s independence.” At that time, the SEC Chief Accountant agreed with the auditor independence concerns identified in the GAO report and also agreed that they “must be resolved.” (See September 5, 1996 letter from Michael H. Sutton, Chief Accountant, SEC, to Charles A. Bowsher, Comptroller General of the United States.) SEC delegated that responsibility to a newly-formed Independence Standards Board (ISB) in 1997. From what I have observed, the ISB has done little more than hold inconclusive “standard setting meetings” since that time, while the conflicts of interest have multiplied and the problem has progressively worsened.

Moreover, common sense tells us that the problems revealed in the PwC report are not confined to that firm. The accounting profession is now the management services industry: the profession and the companies that it is charged with auditing to protect investors and the integrity of our markets are quickly becoming wholly-owned subsidiaries of one another. Self-interest has replaced much of the profession’s fidelity to the public trust.
The federal securities laws require that financial statements filed with the SEC be certified by independent public accountants. The U.S. Supreme Court has stated that "[t]he independent public accountant ... owes ultimate allegiance to the corporation's creditors and stockholders, as well as to the investing public. The 'public watchdog' function demands that the accountant maintain total independence from the client at all times and requires complete fidelity to the public trust...." U.S. v. Arthur Young & Co., 465 U.S. 805, 817-818 (1984).

I want to know what the Commission and the ISG, having taken little meaningful action to date, are doing to clean up this mess. I look forward to your response.

Sincerely,

JOHN D. DINGELL
RANKING MEMBER

cc: The Honorable Tom Bliley
    The Honorable Michael G. Oxley
    The Honorable Edolphus Towns