The Honorable Billy Tauzin  
Chairman  
Subcommittee on Telecommunications, Trade and-Consumer Protection  
Committee on Commerce  
U.S. House of Representatives  
2183 Rayburn House Office Building  
Washington, D.C. 20515-6115

Dear Chairman Tauzin:

Thank you for the letter of April 17, 2000 from you and Chairman Bliley and Chairman Oxley on the important issue of auditor independence. I asked the Commission’s Chief Accountant, Lynn Turner, to provide me with a memorandum responding to your questions, which I have attached.

As you know, both the Commission and the Congress have long kept a watchful eye on the growth of nonaudit services and its potential effects on the audit function. As established through case history, which culminates with the Supreme Court, and as reinforced in the Congressional hearings on the accounting industry in the 1970’s, it is vital that auditors be independent not only in fact, but also in the minds of investors.

In light of today’s major restructurings in the accounting industry and the development of new and diverse revenue streams, the Commission is considering how to address the long-term ramifications of these restructurings on both auditor independence and investor confidence. We are also committed to reforming those auditor independence rules that unfairly impose burdens on dual-career families, relatives and retirement plans without a commensurate benefit to the investing public.

I look forward to working with you and your colleagues to help ensure that our accounting profession continues to provide the most uncompromising and unassailable group of auditors in the world. Investor confidence depends on the independence of auditors and the primacy of US markets depends on investor confidence.

Sincerely,

Arthur Levitt

Attachment

Similar letters sent to: Honorable Thomas J. Bliley, Jr.  
Honorable Michael G. Oxley