December 11, 2006

Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5669
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, D.C.  20210

Attn:  Independence of Accountant RFI
       (RIN 1210-AB09)

To whom it may concern:

AARP is writing to comment on the Department of Labor's (DoL) Request for Information concerning the advisability of amending Interpretive Bulletin 75-9 (29 C.F.R. § 2509.75-9) relating to guidelines on independence of accountants retained by employee benefit plans under ERISA. With more than 37 million members, AARP is the largest organization representing the interests of Americans age 50 and older and their families. Nearly half of AARP members are working either full-time or part-time, and they have a vital interest in assuring the integrity of employer-sponsored plans in order to save for a financially secure retirement.

AARP strongly supports the DoL’s position that an accountant’s independence is extremely important to the rendering of an opinion on the financial statements of an employee benefit plan. We also believe that the relationships between an accounting firm and its subsidiaries or affiliates and an employee benefit plan may impact the independence of an accountant. As long as the accountant for the plan is permitted to perform other accounting or non-accounting services for the plan or plan sponsor, there can never be complete and genuine independence. We suggest that DoL further study the issues surrounding this situation to ensure that the plan is protected.

A common situation that may also influence the independence of an accountant is not discussed in the Request for Information. It affects not only small accounting firms but large ones as well. Where the billings from an employee benefit plan(s) and/or the plan sponsor(s) comprise a high percentage of the billings of a firm, a specific office of a firm, a practice group within a firm, or an individual, particularly where these entities financially depend on those clients, an
accountant’s independence may be compromised. While AARP believes that this situation can potentially lead to a loss of independence, we also recognize that this frequently does not happen. AARP’s suggestion is that the proposed regulation should recognize that there may be situations other than ones specified in the regulation that may lead to an accountant’s loss of independence. AARP suggests that the DoL may wish to provide methods, such as requiring rotation of audit firms or partners by which independence will more likely be assured. Of course, a more stringent condition would be to ban an accounting firm from auditing a plan if it also audits the plan sponsor. We recognize there are costs involved as well as a loss of institutional memory; AARP does not have sufficient information to determine whether such a ban is necessary to preserve accountants’ independence.

As noted above and as seen with Enron and WorldCom, size is not necessarily a guarantee of independence. Consequently, the proposed regulations should ensure that requirements are met by all accounting firms, regardless of size.

AARP appreciates the opportunity to comment on the Request for Information on the independence of accountants. If you have any questions or need further assistance, please do not hesitate to contact Amy Shannon at 202/434-3768 or Mary Ellen Signorille at 202/434-2072.

Sincerely,

David Certner
Legislative Counsel and
Director of Legislative Policy
Government Relations and Advocacy