



FINANCIAL EXECUTIVES INSTITUTE

February 25, 2000

Independence Standards Board
6th Floor
1211 Avenue of the Americas
New York, NY 10036-8775

Attn: DM 99-4 on Legal Services

Gentlemen:

The Committee on Corporate Reporting of the Financial Executives Institute is pleased to comment on Discussion Memorandum 99-4 of the Independence Standards Board dealing with Legal Services.

We believe that the independence of the audit function continues to be a critical element in the financial reporting process for both the preparers and users of financial statements. Independence in fact is of paramount importance and we continue to believe that independence rules must exist to prohibit relationships between audit clients and audit firms that impair, or are perceived to impair, the auditor's independence.

We believe in most cases the independence rules should be general in nature and that the issue of audit firm independence be determined on a case by case basis by the auditor, company management and the audit committee of the client's Board of Directors. However, we are concerned regarding the specific case of legal services. This concern is primarily based on many of the factors discussed in the Discussion Memorandum including the position that the attorney-client relationship is inconsistent with the independence required of auditors. Although, we can see some merit in the arguments that certain services could be provided that would not impair independence, we are not sure how the degrees of advocacy or the magnitude of the services could be determined when dealing with the multitude of potential legal matters. This concern is further magnified with legal services, when what appears to be a simple straightforward matter, due to unforeseen or changed circumstances, becomes a problem area.

Thus, we believe that the providing of legal services to audit clients is incompatible with the independence requirement of the auditor and should not be permitted.

Michael Mathieson at Fortune Brands, Inc coordinated this letter. Please feel free to call him at (847) 484-4540 with any questions on our response.

Sincerely,

Philip D. Ameen

Philip D. Ameen

Chairman

FEI Committee on Corporate Reporting