

CHAMBER OF COMMERCE  
OF THE  
UNITED STATES OF AMERICA

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CHIEF OPERATING OFFICER  
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February 26, 2007

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Office of the Secretary  
Public Company Accounting  
Oversight Board  
1666 K Street, NW  
Washington, DC 20006-2803

Re: SEC File Number S7-24-06  
PCAOB Rulemaking Docket Matter No. 021

Ladies and Gentlemen:

The U.S. Chamber of Commerce is the largest business federation in the world, representing the interests of some three million companies of every size and industry. We have been an advocate for the issuance of specific guidance by the U.S. Securities and Exchange Commission (the "SEC") for issuers under Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX") and for revisions to Auditing Standard No. 2 ("AS2") as promulgated by the Public Company Accounting Oversight Board (the "PCAOB"). In that regard, we very much appreciate the opportunity to provide comments in response to the SEC's proposed interpretive guidance and rule amendments with respect to SOX 404 (the "SEC Guidance") and the PCAOB's proposed auditing standard, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*, that would supersede AS2 (we refer to the new proposed auditing standard as "AS5") as well as the other proposals included in the PCAOB's Rulemaking Docket (the "PCAOB Release").

The Chamber has been very supportive of most provisions of SOX and, with respect to Section 404, strongly advocates for good systems of internal control in public companies. We believe that SOX has had positive effects in causing boards, management and external auditors to be more thorough and attentive in fulfilling their responsibilities. However, a large cross-section of our membership has expressed concerns about the implementation of Section 404 through AS2. The most common general concern expressed by our members is that the implementation of Section 404

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has had a negative effect on the competitiveness of U.S. companies and the U.S. capital markets and created burdens on these companies and their management well beyond what Congress intended and what is necessary to remedy acknowledged abuses. While SOX 404 was conceived fundamentally as a disclosure requirement to provide more information about internal controls, under AS2 it has evolved into a substantive requirement for specific levels of internal controls that goes far beyond the Congressional mandate.

### *Overview*

We commend the efforts of the SEC and the PCAOB to provide additional issuer guidance regarding internal controls and to promulgate more detailed standards for auditors that will replace AS2. As companies have attempted to comply with SOX 404, they have been forced to reconcile the increased costs associated with such compliance with critical ongoing expenditures for research, development, investment and employment. We believe that the proposals represent a legitimate and significant attempt to address the widespread concerns of the business community and the difficulties that public companies have faced on the ground. We concur with your public statements that the proposals are, for the most part, principles-based.

However, we believe that some of the core issues with SOX 404 and AS2 have not been sufficiently addressed, particularly the ambiguity of the internal control requirements and the application of the rules to smaller public companies. If these issues remain unaddressed, the damage to our capital markets is likely to continue to be severe – the negative effects currently suffered by public companies will continue, smaller issuers will face barriers to entering the public market and foreign companies that may have hoped to list here in the future will be dissuaded from doing so.

We set forth below our specific comments on the proposed guidance and rules. Whatever the final form of the SEC Guidance and AS5 that are enacted, we believe it is important to note that their true impact on public companies and their auditors ultimately will depend largely on questions of implementation. The manner in which the SEC enforces SOX 404 and interprets its guidance and the way in which the PCAOB implements its new audit standard in its reviews will determine whether these rules and standards will provide the desired assurance to market participants regarding internal controls while affording companies the certainty and flexibility necessary to conduct their business activities and remain competitive. As a result, we anticipate that continued scrutiny by the SEC and the PCAOB of implementations of the

guidance and standards by their staffs will be required and suggest that both engage in post-adoption cost-benefit analysis of the guidance and standards. Once it is enacted, AS5 should be applied consistently throughout the PCAOB's inspections process so that ongoing expectations for companies and their auditors are clear. The PCAOB should endeavor to issue timely inspection reports and periodically identify for companies and independent auditors any specific trends that it has noted in its inspections. Additionally, the PCAOB should consider how its inspection process could develop a stronger, more direct understanding of management's assessment process instead of relying solely on the auditor's summarization of this process. These post-adoption steps will permit the SEC and the PCAOB to assess implementation issues and the content of the guidance with respect to audits of internal control in smaller companies that the PCAOB indicates in its Release will be forthcoming next year.

### *Discussion*

#### Specificity of Rules and Guidance

Interaction between SOX 404 and AS5. We recognize the efforts of both the SEC and the PCAOB in attempting to provide practical guidance for companies and auditors that will allow them to comply with the internal control requirements with certainty and in a cost-effective manner. As we have noted in the past, in the absence of direct guidance for issuers, management has been forced to rely on AS2 in its evaluation of internal controls. This has had the effect of de-emphasizing the importance of management's own assessment of its internal controls, despite the fact that the PCAOB was never intended to be a regulator of issuers. Also, the focus on the auditor's assessment has had the effect of inhibiting the exchange of ideas between management and independent auditors, turning a formerly collaborative relationship into one that is increasingly adversarial.

As proposed, AS5 sets forth the requirements applicable to an audit of internal controls with a high degree of specificity. The SEC Guidance is written quite differently and, in an appropriate attempt to provide companies with necessary flexibility, it is inherently more vague about the specific procedures that companies need to follow in order to establish and evaluate internal controls.

While we understand the sources of this disparity, we are concerned that the relative specificity of AS5 may have the unintended consequence of increasing the

focus on the auditor's assessment as opposed to management's assessment of internal controls. We believe that this risk can be avoided through increased coordination of the requirements of SOX 404 and AS5. There are areas of natural overlap between SOX 404 and AS5, and we encourage the SEC and the PCAOB to work closely together in order to weave together the specific provisions of AS5 with the more general guidance set forth in the interpretive release on SOX 404.

Use of Illustrative Examples and Feedback. The SEC Guidance would be more helpful if it provided more illustrative examples of how the guidance should be implemented. In particular, companies that are striving to maintain a comprehensive yet cost-effective internal control environment would appreciate examples of insufficient compliance measures as well as overly conservative implementation. While we understand that there is no single road map to effective compliance, examples that are illustrative, rather than dispositive, would go a long way towards assuring companies that they are on the right path. We also urge the SEC to consider means of providing prospective advice and guidance to companies so that they can receive feedback on their internal control efforts as they are being implemented rather than after the fact.

### Defined Terms

The SEC should consider providing more specific language and/or examples in order to clarify various defined terms that are used in its Guidance and the PCAOB should revisit its definitions to address continuing problems.

Material Weakness. The definition of "material weakness" is central to SOX 404 analysis and one that continues to be unnecessarily vague. For example, at what point do actual quantitative errors give rise to a presumption of a material weakness? Do a series of errors that are immaterial by themselves indicate a material weakness when viewed collectively? What is the role of bad faith or deception in determining whether a material weakness exists?

The PCAOB has reworded its standard for material weakness from "more than a remote likelihood" in AS2 to "reasonable possibility" in AS5. However, AS5 suggests that these standards are equivalent, asserting "that some auditors and issuers have misunderstood the term 'more than remote.'" We believe that this "misunderstanding" gave rise to many of the problems that arose under AS2 and, as a result, the PCAOB should provide a stronger statement of what the new standard

means and its relationship to the old standard. This will prevent companies and their auditors from falling back on prior analyses and permit them to reevaluate material weakness through the application of the new “reasonable possibility” standard to the internal control environment.

We believe the PCAOB’s use of the term “combination of control deficiencies” in the definition of material weakness should be clarified. The term could be read to require the aggregation of various discrete control deficiencies to determine the existence of a material weakness, despite the fact that the individual control deficiencies may be completely unrelated to one another. The PCAOB should make it clear that the determination of a material weakness requires an evaluation of control deficiencies that are related to each other or to a significant account.

At its most basic level, the “material weakness” analysis involves proving a negative – companies have to certify and demonstrate to their auditors that no material weakness exists, as opposed to affirmatively establishing and demonstrating the effectiveness of internal controls. As long as this is the case, the “strong indicators” of a material weakness need to be made more specific, with more illustrative examples, so that they may serve as a practical guide to companies that are evaluating their internal controls. A results-oriented, “top-down” approach to identifying a material weakness may be more desirable than the “bottom-up” approach, which tends to view a material weakness as an aggregation of control deficiencies.

Companies need to be able to consult with their external auditors and other advisors about their internal controls without fear that mere consultation will later be construed as evidence that a material weakness existed. In our view, the key control consideration is that companies should be able to identify issues that require attention; how they choose to seek guidance to address such issues should not usually be viewed as indicative of a material weakness. The SEC and the PCAOB should clearly state this and assure companies that they are encouraged to seek all appropriate advice in order to maintain an appropriate set of internal controls.

Significant Deficiency. We suggest that the PCAOB consider whether the term “significant deficiency” has any continuing usefulness in light of the changes in AS5. In AS2, an evaluation of the existence of “significant deficiencies” was a component of the process by which a “material weakness” was determined to exist. In AS5, the PCAOB focuses instead on the concept of “control deficiency” in the

determination of material weakness and appears to recognize that “significant deficiency” no longer has any definitional connection to the material weakness determination. Nevertheless, AS5 calls for continued evaluation of significant deficiencies, essentially as a way station towards a potential determination of material deficiencies in future years. As a result, we believe that, instead of eliminating a procedure, AS5 has created another set of procedures and conclusions on significant deficiencies, in addition to the inquiries that are required for material weaknesses. The PCAOB should further clarify these definitions and their applications in AS5 so that their use in AS5 results in streamlined procedures for companies and their auditors instead of unnecessary duplication and confusion.

Materiality. We continue to believe that the SEC Guidance and AS5 should further clarify the definition of “material.” We recognize that materiality is a difficult concept that is at the core of financial statement and other public disclosure, but in the context of the testing contemplated by AS5, it is important to guide companies and their auditors with as much precision as possible, including through the use of illustrative examples.

#### Interplay Between the SEC Guidance and Auditing Standard No. 4

Auditing Standard No. 4, *Reporting on Whether a Previously Reported Material Weakness Continues to Exist* (“AS4”), sets forth guidelines that must be followed in order for a company to emerge from being characterized as having a material weakness, if it wishes to engage its auditors in providing such a report. We suggest that, just as AS2 required rethinking, the PCAOB, along with the SEC in its Guidance, should consider clarifying the procedures required by AS4. While a single road map may be impractical, it would be useful for companies to have benchmarks to guide them as to when management will be able to give clean SOX 404 certifications after a material weakness has been identified and auditors can provide proper reporting.

#### Information Technology

Our members have told us in the past that it has been particularly difficult to determine the application of SOX 404 and AS2 to information technology (“IT”) systems. The new AS5 sets forth some more specific points for auditors to consider in evaluating the effectiveness of IT systems, especially as they apply to smaller companies. The requirements of AS5 are not easy to reconcile with the discussion of

IT systems in the SEC Guidance, which focuses in a more general way on the identification of IT systems and controls that are relevant to financial reporting. It would be helpful for the SEC and the PCAOB to more closely align their activities so that companies and their auditors are working with a well-defined set of criteria for both identifying and evaluating IT controls. These could include specific guidance on instances where qualitative factors would override quantitative factors in determining significant accounts and where strong company-level controls link directly to process-level controls, thereby reducing testing at the process-level.

Based on experiences of our members with the implementation of AS2, we have two specific recommendations on IT controls that we encourage you to consider:

- Today, even in well controlled, low-risk applications, auditors believe that they need to audit “through the computer” as well as “around the computer” using more traditional auditing procedures. If a company has well-controlled input/output controls and a well-controlled accounting close process, we do not believe that auditors should also need to audit IT processes through a client’s data processing systems. Whether to audit through or around IT systems should be a judgment call by auditors, rather than today’s practice which auditors believe requires both.
- While companies traditionally lock down IT systems to preclude system changes late in the fiscal year, we have observed that as a result of SOX 404 and AS2, this lockdown date is occurring earlier in the year, often during the third quarter of the fiscal year. This can be extremely inefficient, costly and, from an IT management perspective, unnecessary. We recommend that guidance be developed that addresses IT system changes that occur late in the year and permits companies to implement these changes while allowing them to satisfy their internal control reporting responsibilities.

### Proposed Safe Harbor

In connection with the new guidance on SOX 404, the SEC has proposed amendments to the rules under the Securities Exchange Act of 1934 (the “Exchange Act”) that would provide for a non-exclusive “safe harbor” for companies that perform an evaluation of their internal controls in accordance with the SEC Guidance. While we appreciate the SEC’s efforts to add certainty to the compliance process, we believe that, as currently proposed, the safe harbor is not structured so as to provide companies with an appropriate level of certainty.

As we noted above, the SEC Guidance is vague as to the specific procedures that companies should follow to establish and evaluate their internal controls. While this may be necessary in order to give companies the flexibility to adapt their procedures to their particular circumstances, the effect is that the proposed safe harbor is not specific enough to provide meaningful protection for companies that wish to comply. Any safe harbor should set forth reasonable, well-defined criteria for compliance. In crafting these criteria, the SEC should not set the bar unreasonably high by requiring “best practices” for internal controls that only the largest companies with the most extensive resources can afford. Rather, the safe harbor guidelines should be specific and achievable enough to be a practical guide to compliance for all public companies.

The SEC’s rules contain a number of safe harbors that have been successful because they set forth well-defined and easy-to-understand criteria for compliance. For example, Rule 144A under the Securities Act of 1933 (the “Securities Act”) clarifies a nebulous intersection of Sections 4(1) and 4(2) of the Securities Act by providing a safe harbor from registration for resales of privately placed securities to qualified institutional buyers. Regulation D under the Securities Act contains safe harbors from registration for certain private placements of securities that comply with detailed procedural requirements. In each case, the safe harbor serves to minimize the uncertainty inherent in broad statutory language by specifying criteria to be met and procedures to be followed in order to comply. In contrast, the SOX 404 guidance gives companies wide latitude in determining the procedures that they will employ, which makes it difficult to know how to qualify for the protection of the safe harbor or to establish that the safe harbor criteria have been satisfied when challenged by a regulator or a private litigant.



While the business community will welcome an appropriately structured safe harbor for SOX 404 compliance, we believe that the proposed safe harbor does little to reduce the uncertainty that has been inherent in the compliance process to date. Also, in order to provide the greatest level of certainty for companies that wish to comply, any safe harbor that is enacted should be incorporated in its entirety as an amendment to the Exchange Act rules. It is not sufficient for the rule to direct companies to the interpretive guidance to determine whether they comply with the safe harbor.

### Fraud Controls

The SEC and the PCAOB should not lose sight of the fundamental issue of fraud controls, which SOX 404 addresses only indirectly at best. While SOX 404 and AS2 have led companies and auditors to renew their focus on effective internal controls, it must be acknowledged that fraud can, and does, occur even in companies with excellent internal controls and strong audits.

The SEC should take the lead in communicating to the public about the nature and limits of an audit and the internal control certification process. This may take the form of education campaigns, but should also include the filing of *amicus* briefs in appropriate cases and clear guidance through the activities of the SEC's Division of Enforcement. Many market participants mistakenly believe that SOX 404 and AS2 function as insurance against fraud and other business risks. This is not the case, and the SEC must ensure that investors are aware that fraud can occur even in a strong internal control environment. The limitations on the ability of internal controls to prevent fraud and the responsibility of auditors to detect fraud should be clearly described.

### Walkthrough Requirements

We are encouraged by the PCAOB's recalibration of walkthrough requirements for auditors. However, we think that these requirements should be further refined and clarified. We suggest that the PCAOB state clearly that, in low-risk control areas, a walkthrough may be a sufficient process by itself. Further, AS5 should state that auditors do not need to perform repeat annual walkthroughs in areas where there has been no change in procedures from prior periods.

### Financial Statement Footnotes

We observe that most of the existing and proposed guidance is effectively directed at companies' primary financial statements, while relatively little attention has been paid to the SOX procedures that affect disclosure in the notes to the financial statements. We understand that a significant amount of audit attention is aimed at controls over footnote disclosures, some of which may be unnecessary, and there is virtually no guidance as to how to proceed. We urge the SEC and the PCAOB to pay greater attention to guidance on footnote disclosure controls going forward.

### Restatements

The SEC Guidance and AS5 proposals do not sufficiently account for the changing nature of financial statement restatements and their relationship with internal controls. The environment for, and meaning of, restatements has changed in recent years. In the past, restatements were relatively rare and resulted from material accounting errors – these restatements usually indicated that the company had serious financial problems. However, the number of restatements has increased significantly. The General Accounting Office has concluded that, between July 2002 and September 2005, there were 1,390 restatements by public companies – more than one per business day. Recent restatements frequently have been driven by reinterpretation of existing accounting treatments rather than correction of accounting errors or fraudulent activities. As a result, many if not most restatements are immaterial, yet they continue to give rise to the impression that companies have made accounting mistakes when in fact they complied at all times with applicable accounting guidance.

It is important for the SEC and the PCAOB to reinforce the idea that a restatement is not a decisive indicator that a material weakness exists. As we have noted in the past, accounting is not an exact science and disagreements about appropriate application of complex accounting standards are not evidence of failure. The pervasive view that a restatement is evidence of an internal control weakness conveys to market participants a false idea about the precision of the underlying financial statements, when in fact, in many cases, a restatement does not mean that the prior financial statements were inaccurate. We urge the SEC and PCAOB to make this clearer to the public.

### Application of SOX 404 to Smaller Companies

We commend the SEC and the PCAOB for acknowledging the particular burdens that SOX 404 and AS2 have placed on smaller public companies. However, the proposed guidance and new auditing standard do not go far enough in defining the ways in which smaller companies may scale their activities so as to remain in compliance while reducing costs.

In its discussion of scaling the scope of the audit for smaller companies, AS5 introduces the term “complexity.” We believe this presents an unnecessary new issue for evaluation. AS5 is clear that, in planning an audit of internal control, the auditor is to examine “the company’s business, including its organization, operating characteristics and capital structure,” among other areas. It must be acknowledged that, as the term “complexity” is commonly understood, there may be smaller companies that are highly “complex” as well as larger companies that are relatively less “complex.” We urge the PCAOB to reconsider the use of this term – whatever is meant by the term “complexity,” the relevant concepts for the evaluation are already included in the auditor’s charge.

While we applaud the concept of “scalability,” wishing for scalability does not make it so. Our members, particularly those that are smaller public companies or large companies with a number of small subsidiaries, are struggling to find an appropriate scope for their internal controls, and they need assurances from the SEC that they can do so without radically changing their operations or business objectives. Many companies have felt compelled by SOX 404 and AS2 to outsource much of their testing of internal controls to third parties, at significant cost, in order to satisfy the evaluation requirements of their independent auditors. Companies with fewer personnel and resources need to have guidelines for SOX 404 compliance that clearly define what is acceptable, even if that is less than optimal. We do not mean to imply that smaller companies should be subject to different standards or levels of assurance. However, a smaller company should be able to employ different procedures in order to reach the same level of assurance, which could include reliance on the direct involvement of internal audit and finance personnel in company activities.

For example, the SEC should clearly set forth how a small public company can appropriately tailor its span of control in a way that is different from a company that is hundreds of times larger – e.g. by establishing personal control, observation and oversight by senior management of the processes or assets in question. The SEC and

the PCAOB should consider a more flexible approach to identifying and evaluating the effectiveness of “key” controls, which until now have been subject to relatively rigid, “one size fits all” scrutiny by independent auditors. We suggest that the PCAOB acknowledge in AS5 that a financial statement audit of a small company may involve sufficient testing of controls in certain areas such that additional procedures are not required for an internal control audit. The PCAOB has recognized that management override and mitigating actions and controls implemented in lieu of segregation of duties are areas that are especially important for smaller companies in internal control and in the evaluation of internal control. We believe that more specific guidance for auditors is necessary on this point – it is not enough simply to direct the auditor to evaluate this as a risk in a smaller company.

Our members are particularly concerned with documentation requirements. Auditors continue to focus on documentation as an indicator of internal controls despite that fact companies can have strong internal controls even without voluminous documentation. In the absence of clear and specific guidance, expensive and unnecessary over-documentation remains a real threat to all companies, and it imposes a particular burden on smaller companies. We encourage the SEC to evaluate specific lower-cost documentation solutions, determine whether they are acceptable for smaller companies and, if so, include them in its SOX 404 guidance. We also urge the SEC to closely examine the experience of large accelerated filers and accelerated filers in determining the nature and scope of compliance that will be required by non-accelerated filers.

#### Using the Work of Others

The PCAOB has made progress on removing barriers to using the work of others in its *Proposed Auditing Standard – Considering and Using the Work of Others in an Audit*. However, we are concerned that, in doing so, it has encouraged the creation of additional checklists instead of qualitative analysis. The proposal suggests a bias toward persons who are trained as accountants or have designated internal control functions. Many persons who exert highly effective internal control are neither trained accountants nor internal control professionals. The PCAOB should acknowledge this by permitting the use of their work by auditors. We also suggest that the PCAOB reevaluate whether the criteria established for objectivity truly address the likelihood of bias in a control environment.

### Auditing Standard No. 3

As noted above, the nature and scope of the required documentation will continue to play a critical role in SOX 404 compliance. However, the PCAOB's Auditing Standard No. 3 ("AS3"), which governs audit documentation, remains intact and we understand that no revisions are currently proposed.

We urge the PCAOB to coordinate with the SEC and make necessary revisions to AS3 to provide detailed guidance to auditors regarding the documentation necessary to conduct an effective audit of internal controls. Without reconsideration of AS3, many of the benefits of the proposed guidance may not be realized. For example, AS5 does not eliminate consideration of low-risk audit procedures, despite the fact that Chief Accountant Hewitt has stated that companies do not need to spend time evaluating low-risk areas. Specific rules for audits of smaller companies should mirror the SEC's guidance on the scalability of internal controls, so that auditors do not impose impractical documentation requirements on such companies. While we do not suggest that the adoption of the new SEC guidance and AS5 should be delayed, we believe that AS3 should be reevaluated as well in the near future.

### *Conclusion*

The U.S. Chamber of Commerce strongly supports the core ideas behind SOX 404 of increasing management accountability, strengthening internal control over financial reporting and facilitating accurate and fair disclosure for investors. We commend the SEC and the PCAOB for their efforts to provide greater certainty in the application of SOX 404 and the audit of internal controls.

However, even with the proposed SEC Guidance and new AS5, the internal control requirements remain ambiguous. The proposed safe harbor for SOX 404 will be of little use until the SEC determines and publicizes specific compliance criteria. The SEC and the PCAOB should more clearly address the relationship of a restatement to the adequacy of internal controls and the limits of SOX 404 and AS5 in identifying and preventing fraudulent conduct. Without more specific guidance on scalability, the blunt application of SOX 404 will continue to impose undue burdens on smaller companies and discourage their participation in the public markets.

We presume that, when the new guidance and standards are finalized, they will be effective beginning with the 2007 fiscal year. However, companies are likely to act

on the proposed guidance and standards as if they were final to the extent that there are control procedures that need to be performed prior to year-end. While we encourage the SEC and the PCAOB to act as soon as possible in adopting the new guidance and standards, we also recommend that the SEC and the PCAOB take the necessary time to fully consider any comments that they receive, properly draft the final guidance and standards so as to minimize ambiguity, and align the requirements of the SEC Guidance and AS5 to the greatest extent possible. It is important for the SEC and the PCAOB to adopt clear and well-coordinated final guidance and standards before companies and their auditors are required to comply.

As an unintended result of the breadth and ambiguity of SOX 404, companies have incurred excessive and unnecessary compliance and audit costs that ultimately have damaged the interests of investors. These include the costs of independent auditors, external consultants, additional internal audit and compliance functions and the additional demands placed on the time and attention of management. Such costs have increased significantly despite the fact that companies already had strong economic incentives to implement effective internal controls even before SOX 404 was enacted. In some respects, the cost increases have resulted from the requirement that controls be judged to be either “effective” or “ineffective” – companies end up producing voluminous amounts of compliance paperwork in order to justify their determination of “effective” internal controls, when a more nuanced, qualitative evaluation could be both more useful and less expensive.

These additional costs reduce the cash available to a company to invest in its business, deter companies from accessing the U.S. capital markets and dilute the focus of management from creating value for company shareholders. The uncertain application of SOX 404 has led many companies to be overly conservative and spend large sums on internal controls, which can come at the expense of critical operating activities and inhibit business innovation and creativity. Such costs will continue to depend in part on the interpretation of SEC and PCAOB rules by independent accountants, which will not significantly reduce the current levels of time and expense involved in a public company audit in the absence of clear, specific guidance. We urge the SEC to consider all of these costs, and particularly the burdens that they impose on smaller public companies, in examining the full cost/benefit balance of SOX 404.

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While the SEC and the PCAOB have made strides towards easing these burdens, the core issues with SOX 404 will remain until companies of all sizes have appropriate, specific guidance on how to comply. Thank you for your consideration, and we would be happy to discuss our comments with the relevant staff.

Sincerely,

A handwritten signature in black ink, appearing to read "David C. Chavern". The signature is written in a cursive style with a large, looping initial "D".

David C. Chavern  
Chief Operating Officer and  
Senior Vice President

cc: Hon. Christopher Cox  
Hon. Paul S. Atkins  
Hon. Roel C. Campos  
Hon. Kathleen L. Casey  
Hon. Annette L. Nazareth  
Hon. Mark W. Olson  
Hon. Kayla J. Gillan  
Hon. Daniel L. Goelzer  
Hon. Bill Gradison  
Hon. Charles D. Niemeier