SUPERVALU INC.

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

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

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

Dear Board Members/Commissioners:

On December 19, 2006, the Public Company Accounting Oversight Board ("PCAOB") issued Release 2006-007 proposing changes to rules governing external auditor responsibilities (the "PCAOB's proposed standards") under the Sarbanes-Oxley Act of 2002, Section 404 ("SOX 404"). Also on December 19, 2006, the Securities and Exchange Commission ("SEC") proposed Release 33-8762 (the "SEC's proposed standards"), and together with the PCAOB's proposed standards, (the "proposed standards").

In the introduction to the proposed Release 2006-007, the PCAOB cited SEC Chairman Christopher Cox as a means of highlighting that a significant benefit of Release 2006-007 was to "repeal the unduly expensive and inefficient auditing standard under Section 404 of Sarbanes-Oxley." Although we believe that the proposed Auditing Standard No. 5, ("AS5"), along with *Considering and Using the Work of Others in an Audit*, are an improvement upon Auditing Standard No. 2, ("AS2"), we also believe that there are some additional changes that should be implemented in the proposal to allow companies to realize the additional benefits that the PCAOB intended to provide when it promulgated its new standards.

In our opinion, there is an element of discord between the PCAOB's proposed standards and the SEC's proposed standards. As a result of a company taking advantage of the flexibility provided by the SEC's proposed standards, it may adopt practices that vary from the PCAOB's. We do not believe that the PCAOB mandates meaningful change for the auditor as it does not align with the greater flexibility provided by the SEC's proposed standards for management. Therefore, the cost savings and efficiencies that the PCAOB intended for companies to realize by modifying its assessment of internal controls will likely be significantly eroded by the costs companies will incur both internally and externally as their external auditor performs their assessment to a different standard.

The following is an example of how the PCAOB's proposed standards differ from the additional flexibility that the SEC's proposed standards provide. PCAOB Page A1-20, paragraphs 50 and 55 relate to the testing of operating effectiveness. Paragraph 50 states, "Procedures the auditor performs to test operating effectiveness include a mix of inquiry of appropriate personnel, observation of the company's operations, inspection of relevant documentation, walkthroughs and re-performance of the control." Paragraph 55 states, "Inquiry alone does not provide sufficient evidence to support a conclusion about the effectiveness of a control. When combined with another test, such as observation, inspection or re-performance, however, inquiry might provide sufficient evidence about the effectiveness of a control." In the SEC's proposed standards regarding "Implementing Procedures to Evaluate Evidence of the Operation of ICFR", it states, "As the assessed risk increases, management will ordinarily adjust the nature of the evidence that is obtained. For example, management can vary the nature of evidence from ongoing monitoring by adjusting the extent of validation through periodic direct testing of the underlying controls and/or adjusting the objectivity of those performing the self-assessments." Additionally, "For lower risk areas, management may conclude that evidence from on-going monitoring is sufficient and that no direct testing is required."

Clearly, the PCAOB's proposed standards on testing are more stringent than what is required by the SEC. In order to maintain significant reliance on management's assessment for the external auditor and keep audit fees in line with expectations, we believe that a company would continue to follow the PCAOB requirements rather than initiate a process that would require additional and incremental assessment procedures by its external auditors. We recommend that the PCAOB and SEC proposed standards be aligned and provide similar flexibility for the external auditors to that provided to management by the SEC proposed standards. An example of this is in the evaluation of the design and operating effectiveness of controls as demonstrated above.

In our opinion, the guidance provided by the SEC and the PCAOB and the interpretation of such guidance by the external auditors could be made more effective through the implementation of the following additional changes:

1. The proposed standards emphasize the use of a top-down, risk-based approach, however they do not provide meaningful guidance for practical implementation. In our opinion, a comprehensive definition of a top-down, risk-based approach and a common methodology for management and external auditors to follow is required in both the PCAOB and SEC proposed standards if meaningful change is to occur.

2. The proposed standards appear to support a more focused effort on entity-level and company-level controls. For example, AS5 states that if company-level controls are strong and link directly to the process level controls or if they are significantly precise to detect material misstatements to the relevant assertions, the auditor will be able to reduce the testing of controls at the process level. Although, we believe that this effort is

positive, we believe this will be difficult for the external auditors to implement into practice without further guidance. We would like to see specific criteria and examples provided to external auditors of larger companies (including evidence requirements) for the following company-level controls:

a. Controls related to the control environment

b. Controls over management override

c. The company's risk assessment process

d. Controls to monitor financial operations

e. Controls to monitor other controls, including activities of the internal audit function.

We also recommend that the proposed SEC standards include this guidance around company-level controls.

3. We believe that the ability of external auditors to rely upon the work of others in an "integrated audit of the financial statements" is a positive change to the standard and will assist in the reduction of external audit fees. However, we also believe this represents a significant change for external auditors. We recommend that the PCAOB proposed standards provide specific criteria and examples to external auditors on how to meet the competency and objectivity standards for individuals outside of designated internal audit functions.

4. Benchmarking of automated controls can help reduce the level of effort and cost to assess the effectiveness of automated controls. We believe that the use of this strategy by the external auditors has been limited and inconsistent in practice. It seems more difficult for external auditors to apply this standard in more complex IT environments with "more than a few changes to applications". We believe that the external auditor should be able to place more reliance on a company's program change controls, specifically the testing done by the company through its program change process. To accomplish this objective, we recommend the following phrase be removed from paragraph B31 of the proposed PCAOB standard "and if the auditor verifies that the automated application control has not changed since the auditor established a baseline (i.e. tested the application control)".

5. We believe that rotational testing is appropriate in many areas including areas where risk is low and changes have not occurred. AS5 states that "the Board is not proposing to permit rotational testing as it is commonly understood." We believe that some auditing firms may be interpreting this to mean that they can not rotate the testing of controls. We recommend that the proposed PCAOB standards expressly permit rotational testing for lower risk areas where controls have not changed from the prior year. We also recommend that this concept of rotational testing be included in the proposed SEC standards.

6. We recommend that the proposed PCAOB's standards mandate an integrated audit of internal control over financial reporting and the financial statements rather than using the word "should".

In conclusion, although the proposed standards are a step in the right direction, we feel that the direction provided by the PCAOB and the SEC and the interpretation of such standards by the external auditors, will only generate the intended benefits to publicly-traded companies if additional alignment of the standards occurs and additional interpretive guidance is provided by the PCAOB and the SEC.

We thank you for considering our comments on this very important issue.

Respectfully submitted,

Sherry Smith

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Senior Vice President, Finance