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Reference: Rulemaking Docket Matter No. 021

We are an innovative company providing value-driven wireless communications services. Our success stems in part from our strong commitment to being a cost leader. Compliance with the Sarbanes-Oxley Act, particularly section 404, has added significant costs which reduce our ability to spend funds on providing innovative services to underserved consumers. Rather than drive shareholder value, SOX compliance has had the opposite effect. We spend money on systems and controls and not on creating business value through innovation.

We are pleased to see the Board take action to put risk assessment back into the equation. Risk is not inherently bad, just another aspect of the business to be managed. Complete risk mitigation for purposes of SOX 404 compliance drove compliance costs to unreasonable levels without creating commensurate benefits. Pursuit of more cost effective SOX compliance efforts have been stifled by the pervasive focus on near complete risk mitigation.

The Proposed Auditing Standard has 34 questions that the Board seeks comments on; the following are responses to two of those questions.

17. What are the circumstances in which it would be appropriate for the auditor to rely upon the walkthrough procedures as sufficient evidence of operating effectiveness?

We believe that reliance on a robust walkthrough is sufficient evidence of both the design and effectiveness of a low risk process regardless of transaction volume. However, this calls into question when the walkthrough should be performed and how it will be followed up. Is a walkthrough sufficient evidence for frequently occurring manual controls, and is it sufficient evidence for reliance in subsequent years?

Walkthroughs are usually performed at the beginning of the SOX testing process, often in Q2.

- Would this be too early in the process?
- What would be the appropriate form of update?
 - Would inquiry be sufficient?
 - Would another walkthrough be required in Q4?
 - Would a general requirement for a second walkthrough late in the year focus efforts and hence costs on the most risky areas?

We suggest that walkthroughs which will be relied upon as the primary evidence of a control's effectiveness be performed late in Q3 consistent with the external auditors reliance on the test work performed by management, with updates consisting of inquiries conducted in Q4. Acceptance of this approach would require updating or clarification of paragraph 64 to ensure the auditor understands how to interpret the sufficiency of the evidence collected through the walkthrough and what additional procedures are necessary.

Further, if the Board accepts walkthroughs as primary evidence of effectiveness, paragraph 62 which states:

"Frequency of operation. Generally, the more frequently a manual control operates, the more operations of the control the auditor should test to obtain sufficient evidence ..."

should also be updated to indicate that this does not apply in those cases where walkthroughs are used as the primary source of evidence.

Another area of focus should be paragraph 66 which could be seen to limit the use of walkthroughs to one year if the board interpreted:

" ... The nature, timing, and extent of procedures performed in previous audits,"

to mean that a walkthrough provided insufficient evidence in subsequent years. Again, if this is not the intent of the Board, they should clarify that obtaining evidence through a walkthrough is sufficient and would not preclude the use of a walkthrough as the primary source of evidence in the subsequent year. Failure to do this would likely result in full population testing every other year regardless of the risk and results of prior year's walkthroughs.

31. Does the discussion of complexity within the section on scalability inappropriately limit the application of the scalability provisions in the proposed Standard?

Yes. We believe the Board should bifurcate the elements of market cap and complexity. While we are a large company as defined by market cap we are not complex having only one ERP system, a centralized accounting function, no international markets, no segment reporting, and a very engaged senior management team. If not for our size, we would be able to make use of many of the accommodations made for small cap companies at no increased risk to the investing public all the while reducing our costs of compliance. Conversely, there are companies which are much more complex but would qualify as small cap and be able to benefit from the revised standards. Often, it is these smaller, less structured companies where controls are weak and increased focus may be more warranted.

Overall we are pleased to see the Board take measures to re-balance the process. While investors have a right to know that the financial statements presented are materially free from error, they also expect companies to use their assets in ways that add value to the business and grow their equity investment. In order to achieve these two goals, the SOX requirements must be more balanced.

Please note that this letter expresses my personal views and does not necessarily represent the views of the Company.

Sincerely,


Catherine A. Young
Director, Internal Audit
Leap Wireless International, Inc.

cc. Amin Khalifa, CFO