

Nancy M. Morris
Secretary, SEC
101 F Street, NE
Washington D.C. 20549-1090
RE: File Number S7-24-06
March 3, 2008

Dear Madam

I have recently studied the Exchange Commission's interpretation and proposed rule of management's report on internal control over financial reporting and its related information and discussions as I will soon be one of the auditors in big four firm right after my graduation. Besides expressing my agreement over most of the ideas in the proposals, however, I would like to kindly draw your attention that there are several points are indeed vague and should be further improved or clarified.

Identical Applications for Corporations Regardless of Sizes

The existence of Section 404 of SOX emphasises the importance of internal controls related to the reliability of the published financial statement of a publicly listed corporation. Information users and investors would only trust and rely on the financial statements when every company is following a certain system to maintain its own internal controls according to the requirement of the statutory. There should be no distinctions between big and small companies.

There is a quotation in the recent release offers an exception for the small companies toward this issue, that is "daily interaction with its controls may provide it with sufficient knowledge about their operation to evaluate the operation of ICFR." Those small businesses are allowed to or proposed to use their "daily interactions" as the indicator of the effectiveness of their ICFR while the big corporations are still using more complicated measure to verify their internal control compulsorily. Frankly speaking, it is not reasonable to treat some of the listed companies as probably all of them are multi-national corporations with turnover over million dollars annually. In fact, it is not the size of the companies matter the issue; instead the problem of having two different applications of SOX on big and small companies raises serious implications. This concession for the small companies is absolutely contrary to the fundamental ideas of protecting the protecting the public interest and violate the basic accounting concept of consistency and comparability.

Provide Adequate Time for Implementation

For the implementation of the proposals, it is considerable that the smaller companies do need more time to provide the required auditor's attestation report than the bigger one. The postponement of the implementation does allow those small companies having

extra time to carry out related responses. It definitely supplies a smoother transition into full compliance and will allow companies, and their auditors, time to implement forthcoming SEC and PCAOB guidance.

There is no doubt that SEC should carefully evaluate the timing of the auditor attestation deadline for non-accelerated filers. SEC should ensure that management and auditors have a reasonable chance to review and utilize the additional guidance issued by SEC and PCAOB. Additional guidance can only reduce the burden on small businesses of complying with section 404 if SEC provides sufficient time and a reasonable deadline for companies and their auditors to actually implement the guidance.

Furthermore, the postponement indeed is undesirable and harmful precedent to the statutory despite that it is necessary. SEC should carefully estimate the time needed for the implementation before setting the deadline. Having postponement might lead to authoritativeness of the ordinary since companies would predict that there will be a postponement and they would not comply with the rules on timely basis.

Offer Additional Guidance to Management on Section 404

General guidance would not be helpful enough because of the diversity. Besides the basic instructions for the Section 404, SEC should issue additional guidance that provides management with specific information about how to assess and test internal controls. The guidance should be aimed at helping all public companies comply with section 404 regardless of size. More importantly, supplementary guidance should address specific challenges faced by small businesses and should incorporate the flexibility needed to allow smaller companies to respond in a manner that is appropriate for the company's size and complexity.

Conclusion

The fundamental ideas and the ultimate purposes of carrying out such interpretations and proposals are protecting the economy of the country, providing a confident and reliable business environment, avoiding serious financial scandals that damaged the reputation of this monitoring mechanism. After reviewing the entire release, it is suggested that a number of details should be reconsider and reassess, particularly those concerning on the small companies ICFR. By putting adequate efforts on the above matters, the public can be assured that the internal controls of the listed companies are effective and trustworthy.

Sincerely

Chong Li, Louis
2008 Accounting Graduate
University of Wisconsin-La Crosse