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CRAFTING COMPANIES AND CAREERS

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April 30, 2006

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

and

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

Via e-mail to *rule-comments@sec.gov* and *comments@pcaobus.org*

RE: File Number 4-511

Dear SEC and PCAOB Board Members:

Thank you for hosting this Sarbanes-Oxley "Year 2" forum. We trust it will spur original thinking through direct dialog. It is a necessary step in approaching corporate governance from a fresh standards-based perspective. We especially appreciate your open solicitation of opinions and observations from the 'rest of us'…. we in the niche/ boutique sector who work with and for, but aren't captives of the primary certifying authorities, i.e. the Big 4, or large regional accounting firms.

Enpria fits into a relatively new but emerging category: business compliance specialists with a heritage of core expertise in information systems. Our thesis: the government is mandating by statute what good engineering has preached for years but has been unable to win funding for in the Board Room. We see Sarbanes-Oxley filling an important and complimentary need among the suite of government mandated regulatory acts which are redefining the parameters of and rules for conducting corporate governance – both in private as well as public corporations and now non-profits.

Enpria was designed to help companies reach and maintain HIPAA, GLBA, PCI, and BASEL II compliance by good design versus change order. We filter business through a technical lens; one which measures the end game: the impact on IT systems and how they shape and deliver improved business process.

We implement best-practice based frameworks such as COSO and COBIT. Doing so minimizes the cost and maximizes the benefit of compliance. *Contrary* to much of what we read in the press, we have observed that there is huge VALUE in doing so; furthermore, when approached with prudence and rational judgment, it can be achieved at minimal cost. Frankly, there is a great deal of unproductive, even counter-productive whining by those unwilling to discipline themselves or study the true nature of the problem.

There are two sources for this resistance. First is the natural human tendency to avoid accountability – the inner need we all feel to rebel and live utterly free from constraint; this is the anarchist at work in each of us.... Sadly all but the saintly few aren't sufficiently strong or impossibly good to succeed along this path; rather, history teaches this to be a very short path to corruption – most of us are all too susceptible to the siren call of progressive compromise. Only transparency has proven the test of time – maybe an onerous control, but better than all the others. Example: President Reagan said of Russian compliance with SALT: "Trust... but verify". And so we must. Reliance on self-governance/regulation is misplaced; attempting to change our nature is the very definition of naiveté.

The second is organic to our professions. It has been our experience that much of the outcry against Sarbanes-Oxley in particular and regulatory acts in general, is cultural and stems from a fundamental "failure to communicate". In the case of Sarbanes-Oxley, between Accountants and IT Engineers. In the case of other regulatory acts, between affected functional operators (e.g. professionals in health care, manufacturing, procurement, etc) and their IT support team. This shouldn't be surprising.... any veteran of the annual budget wars has personally participated in this long standing and unfortunate feuding over the allocation of scarce corporate assets. To be successful, we must shift from selfish/self-serving scarcity based thought to abundance thinking AND move BOTH parties further to the middle.

Indeed, this rift is understandable, even predictable in light of IT's upstart status within the corporate family. While the venerable accounting profession has been around since antiquity, IT is virtually brand new, having been introduced within living memory in the early 1960s. In fact, many of the founding members of the community are still contributing to the field! Edward Yourdon, the lead creator of **Structured Systems Analysis and Design Methodology** (**SSADM**) a systems approach to the analysis and design of information systems, is still writing and lecturing. His work is pivotal to ours yet is virtually unknown among Accountants and Functional Experts.

Let me tell you the dirty little secret of IT: there hasn't been a new idea in IT in decades. Rather, there has been a steady evolutionary improvement in practical engineering: faster more capable processors, ubiquitous networks, miniaturization, more powerful coding languages, etc. Relational Databases, Object Theory and even the Internet itself were logical progressions of IT's first boom and were foretold as far back as the early 60s. Astonishingly, Von Neuman and Alan Turing's thesis's have yet to be fully realized some 55 years later.... The reflection in IT' Quixotic mirror is self aggrandizement – believing our own press releases. Somehow we came to believe that we produced miraculous art when we have merely advanced the science through clever engineering.

Happily, we discovered unexpected congruity between good engineering practice and sound business principles. Real risk comes from taking shortcuts, in falling short, in being incomplete. Most failures in systems design and implementation stem from not gathering a complete set of the real requirements, from shortchanging the discovery process. Expedience is the direct cause of not closing the processing links and is the single greatest inhibitor of creating self-auditing/validating systems. Usually those who fund the work do not fundamentally understand that which they are commissioning and those who create the systems are far from being either eloquent or complete. Without a common business language, the operation may be a success but the patient can die an excruciating death.

One of my employees, a parent with small children noted that she would give her kids a "time out" for doing many of the same things IT regularly either does through hubris, or is forced to do by inadequate funding: specifically, incomplete homework and sloppy workmanship. Ultimately, these omissions pave the road to loopholes and facilitate by proxy lying, cheating, and stealing. Those in control of the corporation's governance machinery are unintentionally tempted with the very keys to circumvent the controls designed to prove them blameless, allowing the unscrupulous to hijack the corporate agenda and the unwitting to fall victim to their own ignorance. Both to terrible result.

Excluding the blatant fraud of Enron, WorldCom, et all…. most great failings come not from gross acts of commission, but by the cumulative effects of many little acts of omission. Just as the greatest challenge in guiding corporate resource allocation comes from accurately assessing indirect vice direct costs. This common failure follows shortchanging the truths of lifecycle based costing and is equally applicable in all areas of our lives. We can get out no more than what we put in, though we aren't guaranteed profit or even return unless we do it correctly and are not the victim of a cruel or fickle universe.

Okay you say…. "I get your point". "Let's get back to the discussion of Sarbanes – the second year"….

To us, it comes down to point of view. We at Enpria are Engineers, Computer Scientists, and IT Professionals; however, we have also been steeped in Accountancy, Procurement, Manufacturing Science, Health Services, etc. We approach compliance by implementing the proven architectures of the founding members of our profession within the context of GAAP and within the COSO framework. We succeed because we are adept at building a communications bridge to facilitate both open dialog and understand each profession's point of view. We excel at finding common ground and negotiating a reasonable cost-benefit paradigm.

Simply put, externally mandated standards were, are, and ever will be *necessary*, at least until human nature changes. No one has, is, or would do them on their own. The whole point of Sarbanes-Oxley was to level the playing field and force transparency to ensure that grandma could buy stocks safely by building and enforcing a self-consistent set of auditing criteria which would yield fair and open information for all to base their investment decisions upon.

Now, here it is then, the single most odious implementation strategy: "*one size fits all*" – the rush by certifying authorities to demand of all what only the largest can afford or be REASONABLY expected to live by.

WE TEACH THE OPPOSITE – THIS IS WHAT WE WANT YOU TO HEAR!

One size DOES NOT fit all….. The single greatest objection from small to medium size businesses attempting to implement Sarbanes-Oxley is that they are implementing inappropriate controls designed for the complexity and specific needs of the Fortune 100. These controls fit as well as a young child trying on their parents' clothes – with equally impractical and ineffective results. Sarbanes-Oxley was never designed or intended to suspend common sense; it was designed to ensure "REASONABLE" controls – whose boundaries were set by materiality. We help companies define and implement financial and IT controls appropriate for their size and germane to the core competencies of their business.

And so we come full circle back to standards. While we audit financial controls within a COSO framework, there is no similarly mandated framework for IT systems! When we use the most comprehensive IT framework, COBIT, we observe a collision of cultures. Financial auditors are not used to the porous standards that govern the IT world, nor do they understand the technical issues involved with IT systems design. For example, a result of "NA" is instinctively troubling – but only because finance auditors have not been trained in IT systems; e.g. certain controls would be non-material in the case of small to medium size businesses and are therefore "NA". Even more robust guidance from their senior partners won't overcome inexperience with IT systems or lack of formal training. Just as IT engineers must rely upon the functional expertise of Accountants when designing and building IT systems. Both Accountants and IT Professionals should make better of each other's counsel and would accomplish more by working together than across purposes.

If our objective is to build safe, flexible and scalable business which can operate with transparent financial controls then we are on our way. The PCAOB should be commended for understanding this process is evolutionary, that it will take time. Some of the steps that need to occur are:

1) Adopt a standard framework to guide companies to a common set of expectations – we recommend approving a set of common control standards that will form a consistent base upon which all corporate systems can be judged. One founded on "best practices" – one that can be taught in our schools and evolved even as GAAP continues to mature, incorporating both lessons learned and the needs of an ever changing world.

2) Define a mechanism for a company to work with their Auditor to resolve disagreements about what is appropriate.

3) Open for dialog the extent of reasonable testing for limited risk controls.

4) Develop clear definitions of general IT controls and application controls.

5) Aggregation is often not taken as a factor in testing. More education would be useful for both companies and Auditors

6) Adopt a top-down approach to risk-based control testing.

One last thought. We suggest that the SEC raise the limit on the number of shareholders a company can have before they must go public - this could reduce the pressure to become public before they are ready.

Thank you for your time and consideration.

Sincerely,

Victoria Whitlock, Compliance Practice Manager
With support from J. Michael Hayes, Compliance Analyst