

March 7, 2008

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

RE: File Number S7-06-03, *Internal Control over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers*

Dear Ms. Morris:

We appreciate the opportunity to respond to the Commission's proposed rule, *Internal Control over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers*. We support the Commission's ongoing efforts to respond to the concerns of smaller public companies, while remaining focused on the implementation of Section 404 of the Sarbanes-Oxley Act (the "Act") for all public companies.

Section 404 has provided significant benefits to both companies and investors by improving the reliability of periodic financial reports and increasing efforts to deter and detect fraud. Section 404 has also contributed to improved audit quality and renewed confidence among investors and other participants in the capital markets. In addition, we believe that the Section 404(b) requirement for independent auditor attestation of the effectiveness of internal control over financial reporting provides objectivity and engenders appropriate discipline and reliability.

We believe that investors in all public companies should accrue these benefits as intended by Congress when it first established the Act in 2002. We also believe that the SEC's interpretive guidance for management and PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements* ("AS 5") are scalable to companies of all sizes and have enhanced the effectiveness and efficiency of Section 404 such that all companies should now be able to fully comply in a cost-effective manner.

Extension of Section 404(b) Compliance Date for Non-Accelerated Filers

We understand the SEC's rationale for proposing an additional one-year deferral of the Section 404(b) requirement for auditor attestation on the effectiveness of internal control over financial reporting. We believe that the proposed deferral should provide sufficient time to address any remaining considerations, including the Commission's planned analysis of "real world" cost and benefit data.

Effective and Efficient Implementation of Section 404(b)

We commend the SEC and PCAOB for their efforts to improve the effectiveness and efficiency of Section 404 by issuing interpretive guidance for management and AS 5. In our view, the Commission's recently published guide for small business, the PCAOB's staff guidance for auditors performing integrated audits of smaller public companies, and COSO's guidance for smaller public

companies will all contribute to more efficient compliance with the requirements of Sections 404(a) and 404(b).

These efforts, in addition to the planned phased-in implementation of Sections 404(a) and 404(b), have generated significant momentum and allow for an efficient implementation. We encourage the SEC to maintain this momentum by taking the final steps necessary to complete the implementation schedule for Section 404 for all companies as soon as practicable. We believe that additional deferrals beyond the SEC's current proposal could ultimately yield a less efficient implementation for many companies. Additional deferrals would also delay the investor protection afforded by Section 404(b).

Support for Cost/Benefit Study

We support the SEC's decision to study and analyze the cost and benefit data associated with Section 404. We acknowledge, however, the challenges of performing this analysis—particularly those around estimating benefits, which are more difficult to measure quantitatively than costs. We believe that in addition to seeking quantitative cost data from companies, the SEC should also seek the perspectives of other stakeholders, including audit committees and investors.

We also observe that obtaining accurate and objective cost data that isolates the incremental costs associated with implementing Section 404 is extremely challenging. Because the SEC's interpretive guidance for management and AS 5 are scalable to companies of all sizes and varying degrees of complexity, we believe that the cost data currently available for accelerated filers may not be representative of the costs of implementing Section 404 for the smallest public companies. In addition, the performance of a top-down, risk-based integrated audit may make it difficult to accurately determine the incremental costs of Section 404 procedures versus those procedures required for a financial statement audit. Moreover, a historical analysis of cost data would not consider whether the important initiatives of the SEC, PCAOB and COSO aimed at smaller public companies (described above) are successful at facilitating more efficient implementation.

Management's Report

We believe that the capital markets benefit from the assurance provided by an independent audit, which ultimately makes the information, including management's assertion, more reliable. Although we believe that investors and companies benefit from having "filed" information, we believe that it would be acceptable to transition from furnished to filed with the implementation of the auditor attestation requirement under Section 404(b).

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We would be pleased to discuss our comments and to answer any questions that the SEC staff or the Commission may have. Please contact Vincent Colman (973-236-5390) or Jorge Milo (973-236-4300) regarding our submission.

Sincerely,

PriceWaterhouseCoopers LLP