Corporate Finance

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September 17, 2006
Ref. 0136

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

Re: File Number S7-11-06

Dear Ms. Morris,

We appreciate the opportunity to provide comments and observation on additional guidance, prepared by the Commission on internal control over financial reporting. These guidelines are very instrumental in achieving the important objectives of the Sarbanes-Oxley Act.

While there is a need for additional clarification and guidance, we believe that the guidance should prescribe a broader range of alternatives, rather than being prescriptive, to avoid risk and added compliance cost for issuers who have already developed processes and techniques, as well as to allow management and the external auditors the ability to exercise professional judgment in performing their assessment of internal control over financial reporting.

To facilitate your review of our observation, we are providing comments related to specific questions posted in the subject concept release as follows:

Introduction

1. Yes. Additional guidelines would be useful. This could be particularly helpful in evaluating the effectiveness of smaller private entities (subsidiaries) of large filler.

2. Yes. Small, privately held foreign entities of a large accelerated filers may be more familiar and aligned to work according to IAS or other foreign GAAP, rather than US GAAP, therefore additional guidelines to these companies would be useful (i.e. relevant controls at the parent company would ease some of the requirements on small privately held companies).

4. Yes. Additional guidance when an acquired foreign entity needs to comply for the first time with the Section 404 requirements. According to the current guidelines, when a foreign filer is acquiring a foreign entity in December, it would be required to report and attest within 13 months. For many companies, this requirement will not allow sufficient time to be properly prepared, particularly if the acquired company was not previously reporting according to US GAAP. Consideration for an extended period until full compliance is required could be considered (i.e. one more year or an exemption from Auditor's attestation for the first two years).

8. COSO was selected because of availability of information and external auditors' recommendation.

10. Yes. Alternatives should be considered when management testing and evaluation is done by an external independent audit or internal audit firm. Much of the external auditor effort, especially as it relates to testing of operational effectiveness, is a duplicated effort which does not warrant the significantly increased overall compliance cost. Alternatively, under such conditions, an attestation by the external auditors on the process done by management, rather than repeated testing, might be considered.

Risk and Control

12. No. Additional guidance, regarding the identification of controls that address the risks of material misstatements and controls, would be helpful. For example, benchmarking of key risks for certain financial cycles, as well as benchmarking a range of key controls per the financial cycle, could be useful.

13. Clarification that the current requirement to assign and test key controls for all assertions in each financial process could be subjected to a "top-down, risk based" approach by identifying those assertions, that are considered significant to the financial statements (utilizing quantitative and qualitative measures).

15. Yes. Additional guidance is needed about the requirements to assess and test the entity level controls. We believe it would be helpful to consider the ability of smaller companies (and foreign private smaller companies of a large accelerated filer in particular), to comply cost effectively with the requirement of Section 404 (i.e. segregation of duties, Audit Committee, the dynamic nature of smaller companies, etc.).

18. Yes. Currently we are required by our auditors for entity level coverage of more than 95%. This is particularly difficult for foreign accelerated filers, which consolidate many privately owned small foreign entities. The assignment of a threshold based on key measures (i.e. T.E. of income) could be useful.

Management Evaluation

19. See item 18 above.

24. Quantitative guidance regarding the evaluation of control deficiencies could be helpful. For example:
    a. Minor deficiency – T.E. (50% of PM or less).
    b. Significant deficiency – (range between T.E. and PM).
    c. Material weakness – P.M. (5% of income or more, etc.).

25. Yes. Clarification that if the parent company has processes in place (compensating controls) that are in fact detecting and fixing reporting issues resulting from a material weakness which could be identified during testing in a privately owned lower tier subsidiary, then such a material weakness in the lower tier subsidiary would not be reported as such by the publicly traded company.

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Risk and Control Identification

31. Significantly added control was due to auditors' requirement guidelines as to when a control becomes a key control. Benchmarking as to the quantity of key controls in a business process cycle could be helpful.

33. Guidance that specifically identified references to the documentation in the company's files would be acceptable and that the management is not required to retain a separate file with photo copies of all testing evidence for the external auditors.

Solicitation of Additional Comments

- With respect to foreign private issuers, we see an opportunity to lower compliance costs by avoiding excessive costs, while achieving most if not all of the benefits of the Act by waiving the attestation requirements related to auditor's repeated testing of controls from filers who elect to document and test their internal control effectiveness by engaging an independent audit or internal audit firm.

- Clarification as to auditors' interpretation about the need to obtain "sufficient evidence". Our auditors' currently require at least 95% of entity level coverage, at least 50% coverage of each significant account and at least 66-70% of significant locations where all locations that exceed 5% of any of the key financial measure is a candidate for a full scope coverage. In multi-location companies such requirements result in a significant increased cost. The minimal coverage requirements should be clarified.

- The interpretation of the current requirement is for auditors to treat each year's attestation on a stand alone basis. We suggest considering guidelines which will allow auditors to rotate testing among small locations, key-controls and/or processes of the filer.

Once again, we thank you for the opportunity to share with you our inputs to the concept release.

Sincerely yours,

Dan Wolff
Vice President & Chief Control Officer