AMERICAN CAMPUS COMMUNITIES
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September 15, 2006

Re: File Number S7-11-06

U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Secretary:

This letter is in comment to the Securities and Exchange Commission's ("SEC") concept release concerning management's reports on internal control over financial reporting (the "Concept Release").

Like most registrants American Campus Communities ("ACC" or the "company") believes that public companies should provide their investors a level of comfort that their internal control structure is operating effectively. Since ACC went public during 2004, the company completed its first year compliance with Section 404 for the year ending December 31, 2005. The company was fortunate to have various internal employees with previous experience in documenting and testing controls which allowed the company to keep initial year compliance costs down as compared to published compliance costs of similar sized companies. For this first year of compliance the company spent approximately $500,000 with 50% of this representing additional external audit fees and the other 50% for contract labor and third party IT compliance support. For the second year of compliance the company is anticipating compliance costs to be approximately 60% of what was incurred in year one with external audit costs decreasing approximately 20% and other costs decreasing approximately 70%.

Although ACC has been able to keep the compliance costs manageable, I believe there has to be a better way to comply with AS No. 2 that adequately evaluates a company's internal control structure while being more cost beneficial to both investors and companies. If the Section 404 cost studies prepared in 2006 by both CRA International and FEI are correct, the average company compliance cost last year (excluding a valuation of internal time) was approximately $2.5 million with approximately 60% of this being incurred on external auditors. That would put the annual compliance costs for all companies at approximately $17.5 billion and if you consider the value of internal registrant's employees the annual compliance cost may be around $25 billion. As many of the 2006 Section 404 compliance surveys have noted, a vast majority of registrants feel that the ongoing costs have exceeded the benefits. The significance of these costs have to give companies that are not subject to such compliance a competitive advantage and reduces a companies available cash flow to invest in areas of the company that may yield a better return to investors.

I do not believe that the current internal control standard is being applied and followed in a manner that is cost beneficial that allows companies to give internal control comfort to investors, while not wasting investor and company dollars. I believe that in the absence of detailed specific guidance by the PCAOB to external auditors and the lack of the PCAOB's timely review of external auditors internal control audits, that external auditors are inclined to test more and over document in fear of potential lawsuits or corrective action by the PCAOB. Some areas in the internal control standard in which I think can be improved and emphasized for all parties involved with AS No. 2 include: (1) focus on risk; (2) reduce or eliminate duplicative internal control audits; (3) perform more of an integrated audit; (4) more reliance on company level controls if effective; (5) permit greater reliance on internal auditors work by external auditors; and (6) benchmarking and roll forward procedures.

Controls testing should focus on each individual company's risks. For example, if the cash disbursements process has strong company level controls, quality employees and a history of minimal errors, why is the same amount of time being spent on this area as compared to a judgmental area with more risk like revenue recognition under the percentage of completion method? It seems that the focus of the external auditor is to obtain adequate quantitative substantive testing of each specific financial line item and at times company employees follow this same mindset. The approach to Section 404 needs to be more risk based with both external auditors and internal employees realizing this.

Currently there appears to be many duplications in the assessment process as management documents and evaluates their assessment of internal controls, external auditors audit managements assessment, and external auditors also perform their own audit and assessment of internal controls. During these numerous reviews and assessments, many of the same documents are reviewed and tested, and at that, many of the same company employees are involved in these duplicative procedures. This is extremely costly and disruptive to the business, with no perceived additional benefits. There should either be more coordination allowed in the internal controls review and assessment currently performed separately by both management and external auditors, or the elimination of the external auditor's audit of management's assessment.

It appears that there are still more improvements and efficiencies to be obtained from an integrated financial and internal controls audit. While in public accounting I was able to experience how effective internal controls reduced the amount of time and substantive testing for the financial audit and how it reduced audit fees for the client. I have not yet seen these same benefits significantly materialize with ACC's internal control and financial audits and wonder if other companies have experienced a more integrated audit.

Judging by the flat to approximately 4% decrease in total audit fees from year 1 to year 2 compliance as disclosed in CRA International's Spring 2006 Section 404 cost survey, it appears that other companies have not realized significant savings from an integrated audit.

It would be helpful for both management and external auditors to know exactly how the results of company or entity level controls can be utilized in other areas of Section 404 compliance. For instance if the company level controls are effective, does this reduce the scope of testing in other areas and if so, how? Do effective company level controls allow you to reduce sample size testing or eliminate detailed control testing altogether? Should effective company level controls be treated differently by management as compared to the external auditors? How do company level controls factor into account risk assessment and other qualitative evaluations?

If the internal auditors are independent and deemed competent, external auditors should be able to rely more upon the work that the internal auditor performs. The initial standard allowed minimal reliance on internal audits work but additional guidance issued by the PCAOB in 2005 allowed for a somewhat increased level of reliance. I think that further efficiencies can be obtained here though by allowing unlimited reliance on internal audits control work by external auditors if internal audit is deemed independent and competent.

Guidance for both registrants and external auditors should be issued that addresses the nature in which benchmarking and roll forward procedures can be applied both from year to year and from interim period to year end. If certain events surrounding a control have not changed (i.e., no employee turnover, no new system, no change in process, no gaps discovered in historical testing, etc.), could that control be considered benchmarked with subsequent year testing of limited procedures to prove that the control has not changed rather than having to perform detailed testing? This is a similar approach that is currently applied to control testing from interim periods to year end.

Under the previously mentioned Concept Release, the following questions were asked in which I would like to respond to certain of the questions:

1. Would additional guidance to management on how to evaluate the effectiveness of a company's internal control over financial reporting be useful? If so, would additional guidance be useful to all reporting companies subject to the Section 404 requirements or only to a sub-group of companies? What are the potential limitations to developing guidance that can be applied by most or all reporting companies subject to the Section 404 requirements?

    Response: Although it would be ideal to issue additional guidance on how management should evaluate the effectiveness of a company's internal controls, it may be difficult since one size does not fit all as each company has a different risk profile. The most time consuming area that I have dealt with is to focus both the external auditors and internal employees on the risk based areas of the company's control structure. What we define as risk based is areas that may be susceptible to errors or areas that if an error were to occur it could have a material impact to the company. Items that we consider in identifying risk include but are not limited to the quality of the employees, manual vs. automated controls, accounts that contain judgmental calculations, previous history and employee turnover.

I question why external auditor time and effort is spent on certain items that the company has considered to be low risk items, which in turn requires the company to spend time and resources on. I feel that this is one of the reasons why the cost of compliance is high as it results in both higher external fees and internal costs. The approach to Section 404 needs to be more risk based with both external auditors and internal employees realizing this. As a registrant we can only hope to control the internal employees and their focus.

If properly written and presented, guidance issued by the SEC for registrants that include hypothetical examples illustrating alternatives available to registrants that might differ from those available to external auditors, would be useful. This should hopefully assist both registrants and their external auditors to make more consistent interpretations. In addition I would hope that this would give the external auditors the guidance and comfort they need to embrace this guidance.

2. Are there special issues applicable to foreign private issuers that the Commission should consider in developing guidance to management on how to evaluate the effectiveness of a company's internal control over financial reporting? If so, what are these? Are such considerations applicable to all foreign private issuers or only to a sub-group of these filers?

   Response: Foreign private issuers that are registered on any U.S. exchange should be subject to the same rules and regulations as domestic companies if they want access to U.S. capital markets.

3. Should additional guidance be limited to articulation of broad principles or should it be more detailed?

   Response: To the extent possible, detailed guidance with numerous examples would be preferable.

4. Are there additional topics, beyond what is addressed in this Concept Release, that the Commission should consider issuing guidance on? If so, what are those topics?

   Response: Additional topics that I would like to be addressed are: (1) sample sizes selected by management for testing; and (2) how to coordinate the results of company level controls testing into the scope and timing of other Section 404 tests.

   Further guidance as to what the proper sample size that management should use for their testing would be beneficial. Should sample sizes vary based on routine vs. non-routine controls, daily controls, monthly controls and annual controls? How many items should be selected? Is it a problem if management's sample sizes are smaller than that utilized by the external auditors? Can the sample size be selected from one month or should it be from throughout the year? If gaps are found in the first sample and the controls are remediated, should the follow up sample size be larger, smaller or the same?

It would be helpful to know how the results of company or entity level controls can be utilized by management in other areas of Section 404 compliance. For instance if the company level controls are effective, does this reduce the scope of testing in other areas and if so, how? Do effective company level controls allow you to reduce sample size testing or eliminate detailed control testing altogether?

6. What types of evaluation approaches have managements of accelerated filers found most effective and efficient in assessing internal control over financial reporting? What approaches have not worked, and why?

   Response: As previously mentioned, we have found that by continuing to focus on the risk areas to be the most effective and efficient. Again we have to periodically monitor both the external auditors and internal employees focus on this so that unnecessary areas and controls are not tested. Risk areas will be different for each company based on both their qualitative and quantitative measures. In addition it has helped that we have involved company employees who have had previous audit experience and previous exposure to internal controls documentation.

8. Why have the majority of companies who have completed an assessment, domestic and foreign, selected the COSO framework rather than one of the other frameworks available, such as the Turnbull Report? Is it due to a lack of awareness, knowledge, training, pressure from auditors, or some other reason? Would companies benefit from the development of additional frameworks?

   Response: The two companies that I have been involved with in their Section 404 implementation utilized the COSO framework primarily due to its prominent disclosure and interpretive guidance available in the market.

9. Should the guidance incorporate the May 16, 2005 “Staff Statement on Management’s Report on Internal Control Over Financial Reporting”? Should any portions of the May 16, 2005 guidance be modified or eliminated? Are there additional topics that the guidance should address that were not addressed by that statement? For example, are there any topics in the staff’s “Management’s Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports Frequently Asked Questions (revised October 6, 2004)” that should be incorporated into any guidance the Commission might issue?

   Response: Any new guidance issued should incorporate the guidance mentioned above in an attempt to consolidate all information into one reference point. This would help eliminate or reduce the need for company management to sift through various documentation, thus increasing efficiency.

10. We also seek input on the appropriate role of outside auditors in connection with the management assessment required by Section 404(a) of Sarbanes-Oxley, and on the manner in which outside auditors provide the attestation required by Section 404(b). Should possible alternatives to the current approach be considered and if so, what? Would these alternatives provide investors with similar benefits without the same level of cost? How would these alternatives work?

    Response: I would have to question why there appears to be many duplications in the assessment process. Currently, management documents and evaluates their assessment of internal controls, external auditors audit managements assessment, and external auditors also perform their own audit and assessment of internal controls. During these numerous reviews and assessments, many of the same documents are reviewed and tested, and at that, many of the same company employees are involved in these duplicative procedures. This is extremely costly and disruptive to the business, with no perceived additional benefits. There should either be more coordination allowed in the internal controls review and assessment currently performed separately by both management and external auditors, or the elimination of the external auditor's audit of management's assessment. Another potential approach is to limit the internal controls audit by management and / or external auditors to just controls that are applicable to the critical accounting policies as disclosed in the Form 10-K.

11. What guidance is needed to help management implement a "top-down, risk-based" approach to identifying risks to reliable financial reporting and the related internal controls?

    Response: More information is needed for both management and external auditors as to what extent that effective entity level controls can reduce or eliminate sample sizes, and how such effective controls impact testing.

12. Does the existing guidance, which has been used by management of accelerated filers, provide sufficient information regarding the identification of controls that address the risks of material misstatement? Would additional guidance on identifying controls that address these risks be helpful?

    Response: As previously mentioned, I believe that specific guidance should be issued which addresses how both registrants and external auditors can and should focus on the significant risks and corresponding key controls that should be tested. At times there appears to be excessive testing of low risk controls or accounts.

15. What guidance is needed about the role of entity-level controls in evaluating and assessing the effectiveness of internal control over financial reporting? What specific entity-level control issues should be addressed (e.g., GAAP expertise, the role of the audit committee, using entity-level controls rather than low-level account and transactional controls)? Should these issues be addressed differently for larger companies and smaller companies?

Response: It would be helpful to know how the results of company or entity level controls can be utilized by management in other areas of Section 404 compliance. For instance if the company level controls are effective, does this reduce the scope of testing in other areas and if so, how? Do effective company level controls allow you to reduce sample size testing or eliminate detailed control testing altogether? If effective, can the results of company level controls eliminate walkthroughs and testing by external auditors?

16. Should guidance be given about the appropriateness of and extent to which quantitative and qualitative factors, such as likelihood of an error, should be used when assessing risks and identifying controls for the entity? If so, what factors should be addressed in the guidance? If so, how should that guidance reflect the special characteristics and needs of smaller public companies?

    Response: It has been noted at times that internal controls have been documented and tested for financial statement line items with an aggregate balance in excess of a quantitative threshold, despite the fact that if qualitative factors had been considered, no testing would have been performed. The determination of what key risk controls should be tested should not be based solely on the account balance but also quantitative measures. Interpretive guidance which includes examples would be useful for both registrants and their external auditors.

19. What type of guidance would help explain how entity-level controls can reduce or eliminate the need for testing at the individual account or transaction level? If applicable, please provide specific examples of types of entity-level controls that have been useful in reducing testing elsewhere.

    Response: There is considerable confusion on how results of entity-level controls testing can reduce the scope and extent of testing of process level controls associated with significant accounts. Additional interpretive guidance in the form of specific examples could provide both registrants and external auditors with a clear basis upon how to reduce the scope and extent of process level testing.

20. Would guidance on how management's assessment can be based on evidence other than that derived from separate evaluation-type testing of controls, such as on-going monitoring activities, be useful? What are some of the sources of evidence that companies find most useful in ongoing monitoring of control effectiveness? Would guidance be useful about how management's daily interaction with controls can be used to support its assessment?

    Response: Guidance for both registrants and external auditors should be issued that addresses the nature in which benchmarking and roll forward procedures can be applied both from year to year and from interim period to year end. If certain events surrounding a control have not changed (i.e., no employee turnover, no new system, no change in process, no gaps discovered in historical testing, etc.), could that control be considered benchmarked with subsequent year testing of limited procedures to prove that the control has not changed rather than having to perform detailed testing?

23. Would guidance be useful on the timing of management testing of controls and the need to update evidence and conclusions from prior testing to the assessment "as of" date?

    Response: It would be helpful to know how testing and conclusions can be streamlined if no changes have been made to a key control during the period from prior testing to year end.

27. Would guidance be useful in addressing the circumstances under which a restatement of previously reported financial information would not lead to the conclusion that a material weakness exists in the company's internal control over financial reporting?

    Response: With all the complex transactions occurring today in business and the multitude of available accounting guidance, there could easily be a circumstance in which management documents facts and conclusions, addresses these with the external auditors, receives consent as to treatment and a few year later the SEC, new accountants or someone with a fresh set of eyes forms a different conclusion which could result in a restatement. This should not be considered a material weakness in the company's internal controls. It would be helpful to give other circumstances under which a restatement of previously reported financial information would not lead to the conclusion that a material weakness exists.

Sincerely,

Jon A. Graf
Chief Accounting Officer and Treasurer
American Campus Communities