AmSouth Bancorporation
AmSouth Bank
Post Office Box 1222
Birmingham, Alabama 35201
(205) 801-0276

John P. Haley
Senior Vice President and
Chief Operational Risk Officer

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September 18, 2006
Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: File No. S7-11-06 – Concept Release Concerning Management's Reports on Internal Control over Financial Reporting

Dear Ms. Morris:

AmSouth Bancorporation (AmSouth) is pleased to provide our comments to the United States Securities and Exchange Commission (the "SEC" or the "Commission") in response to the request for comment in Concept Release 34-54122 Concerning Management's Reports on Internal Control over Financial Reporting (the "Concept Release") issued by the Commission on July 11, 2006.

AmSouth has always been committed to a strong internal control environment to ensure that financial statements are transparent and materially correct. This included the monitoring activities necessary to conclude that controls are functioning as intended. So, originally, AmSouth did not believe the Sarbanes-Oxley Act of 2002 ("Act") would have a significant impact on its operations.

However, like many other companies, AmSouth has had to devote significant time and effort to comply with the Public Accounting firms' interpretation of the regulations. The effort has not resulted in a commensurate improvement in the accuracy or reliability of the financial statements.

The combination of the attestation of management's assessment and the audit of the internal controls has led to the common belief that management must test its controls in the same manner as a Public Accounting firm. The Public Company Accounting Oversight Board ("PCAOB") has tried to make it clear that there are significant differences in the procedures management uses to assess their company's internal control and the procedures a Public Accounting firm can use. Paragraph 40 of Standard #2 (AS2) listed testing as some of the ways to perform assessment, but provided the additional examples:

- inspection of evidence of the application of controls,
- testing by means of a self-assessment process, some of which might occur as part of management's ongoing monitoring activities.

Additionally, paragraph 126, in a discussion of how the external auditor may use the work of others stated that "management may test the operating effectiveness of controls using a self assessment process", but that the auditor should not use their work. This clearly indicates that management procedures do not have to meet the criteria established for the external auditors.

In the answers to Question 47 and 49 issued in May 2005, the PCAOB reiterated these views. In particular, management's assessment can specifically include supervisory review of reconciliations, and on a control-by-control level, management's testing can be less extensive than the external auditor's.

The PCAOB has repeatedly stated that management has significantly more latitude in performing its evaluation than the external auditors. This recognizes management's ongoing requirement to evaluate its control structure, its day-to-day exposure to the operating environment, and its more intimate knowledge of operations.

As stated above, AmSouth has always recognized the importance of monitoring activities in a well designed system of internal controls and we understand the necessity of testing such activities in an external audit of the internal controls. However, AS2 combined the audit of internal control with the attestation of management's assessment, blurring the distinction between management's assessment and an external audit. AS2 does not allow the Public Accounting firms to consider the inspection of the evidence of the application of the control or self-assessment processes as sufficient procedures upon which to base their audit of the internal controls over financial reporting. Since the attestation and the audit are combined, this leads them to expect management to perform tests based on external audit procedures. Such testing is unnecessary as it is less effective, for management, than the ongoing activities.

The Public Accounting firms often seem unclear as to whether a particular procedure required of management is necessary for an adequate assessment, to support their audit of internal controls, or to support their audit of the financial statements.

While the PCAOB has already recognized management's broader latitude, additional examples of what is meant by the inspection of the evidence of the application of the control or on-going management activities that would be considered as sufficient procedures upon which to base the evaluation might provide more guidance to the Public Accounting firms.

However, additional guidance will not have the desired impact unless it is supported by the ongoing inspections of the audits of the internal control over financial reporting. To date, the inspection reports have focused heavily on the specific application of generally accepted accounting policies and on documentation of the auditor's judgment. Not surprisingly, the Public Accounting firms have likewise focused their review of management's assessments to address similar issues. Until the PCAOB demonstrates a top-down approach to its inspections and a proper assessment of and response to identified risk, it is unrealistic to expect it from the Public Accounting firms.

We believe a major cause of the confusion was the decision by the PCAOB in Standard #2 to combine the attestation engagement referred to in Section 404(b) with the audit standard referred to in Section 103(a)(2)(A)(iii) of the Act. The best solution is to separate the attestation of management's assessment from the audit of the internal controls. This would still be in compliance with Section 103. (a) (2) (A) (iii) of the Act which was worded to allow two separate reports to be issued.

The Public Accounting firms would still have to attest that management complied with items 308(a) and (c) of Regulation S-K. But management would be free to utilize what it considers to be the best approach to evaluating the effectiveness of the company's internal control over financial reporting and support this evaluation with sufficient evidence. This more, than anything else, would demonstrate management's ownership of and responsibility for establishing and maintaining adequate internal controls.

Separate from this attestation would be the audit by the Public Accounting firms of the internal controls over financial reporting. This would be solely the responsibility of the audit firms and would be distinct from management's assessment. This would also demonstrate that the auditor's own work must form the primary basis for their opinion.

Existing standards for attest engagements already require that if conditions indicate material misstatements in the assertion, the practitioner should modify the report and should ordinarily express a conclusion directly on the subject matter. Therefore, if the audit of the internal controls indicates that management's assessment was not accurate, then the Public Accounting firm must state its own opinion on internal controls, not on management's assertion.

AmSouth appreciates the opportunity to comment, and would be pleased to discuss our views with you further. If you have any questions or would like to discuss any comments further, please contact John Haley at (205) 801-0276.

Sincerely,

John P. Haley

John P. Haley
Director of Operational Risk

AmSouth Bank

Response to SEC CONCEPT RELEASE CONCERNING MANAGEMENT'S REPORTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING

QUESTION	COMMENT
INTRODUCTION	
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?	1. Adequate guidance, in particular the May 2006 Q&A, has been provided to indicate that management's assessment is much different than that performed by the external auditor. Additional examples for such assessment techniques as the "evidence of the application of the control" should be considered. While additional examples would provide more clarity, care should be exercised that such examples are not perceived as requirements.
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?	2. N/A
3. Should additional guidance be limited to articulation of broad principles or should it be more detailed?	3. Any guidance should be limited to broad principle but supported by examples. These examples should clearly indicate that they are not required.
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?	4.
5. Would additional guidance in the format of a Commission rule be preferable to interpretive guidance? Why or why not?	5. Sufficient rules already exist. Interpretive guidance would be more beneficial, unless the Commission feels the risks of material misstatements in the financial statements is high.
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?	6. An effective approach is to have line management responsible for the update of the required documentation and performance of the required testing incorporating guidance prescribed in the May 16, 2005 Staff Statement. This approach reinforces management's awareness and ownership in the internal control environment relating to financial reporting.
7. Are there potential drawbacks to or other concerns about providing additional guidance that the Commission should consider? If so, what are they? How might those drawbacks or other concerns best be mitigated? Would more detailed Commission guidance hamper future efforts by others in this area?	7. The guidance should be general and consider the standards issued by the PCAOB while providing companies with a broad enough framework to accomplish its evaluation with minimal cost.
8. Why have the majority of companies who have completed an assessment, domestic and foreign, selected the COSO framework rather than one	8. Initial implementation guidance specifically cited the COSO framework and was determined to be acceptable to both management and

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?	external auditors. The COSO framework was developed and vetted from the Treadway Commission work on fraudulent financial reporting. The compressed time frame to implement the initial documentation and testing requirements of SOX 404 by management and external auditors along with evolving PCAOB guidance to external auditors left little time to effectively evaluate other frameworks.
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)"19 that should be incorporated into any guidance the Commission might issue?	9. Yes, the May 16, 2005 Statement must be incorporated in the guidance. Please see question #20 – additional guidance should be given on the meaning of the phrase "reliance on evidence of the application of the control." Again, however, all guidance should be in sync with the guidance issued by the PCAOB.
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?	10. Management's assessment required by SOX 404 is independent of the assessment required by its external auditors. Management's assessment includes intimate knowledge of the business operating environment including the internal controls relating to financial reporting. This knowledge may not lend itself to the structured form that has become accepted SOX 404 practice. In other words, external auditors expect management to adhere to their standards. The appropriate role for the external auditors is to perform their own independent assessment for purposes of expressing their own opinion only and not to validate or repudiate the opinion of management.
RISK AND CONTROL IDENTIFICATION	
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?	11. Guidance needed to management includes more specific parameters regarding tolerable risk levels for excluding/including processes to be evaluated and tested. Specifically, areas with limited Balance Sheet/P & L impacts but have potential for significant risk if compliance processes were not adequately adhered to. An example is a bank's trust department not complying with terms of trust agreements yet potential damages may not be easily quantifiable.
12. Does the existing guidance, which has been used by management of accelerated filers, provide sufficient information regarding the	12. Additional guidance regarding the testing and reliance on entity level controls to reduce the emphasis on transactional level process controls

identification of controls that address the risks of material misstatement? Would additional guidance on identifying controls that address these risks be helpful?	would be helpful. Also, additional guidance regarding IT related controls and where failures could result in a material misstatement would be helpful. Again, all guidance should be thoroughly vetted with the standards issued by PCAOB.
13. In light of the forthcoming COSO guidance for smaller public companies, what additional guidance is necessary on risk assessment or the identification of controls that address the risks?	13. N/A
14. In areas where companies identified significant start-up efforts in the first year (e.g., documentation of the design of controls and remediation of deficiencies) will the COSO guidance for smaller public companies adequately assist companies that have not yet complied with Section 404 to efficiently and effectively conduct a risk assessment and identify controls that address the risks? Are there areas that have not yet been addressed or need further emphasis?	14. N/A
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?	15. See #12. Also, guidance regarding reliance on the "tone at the top" type controls such as compliance with ethics policies, whistleblower processes, etc. for financial reporting fraud issues would be helpful in terms of effective and efficient evaluations. In addition, guidance regarding measuring compliance with other entity level controls such as management review of budgets to actual, effectiveness of the audit committees in exercising oversight responsibilities, and the appropriate knowledge of GAAP would be useful.
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?	16. Additional guidance would be helpful for the quantitative assessment of likelihood of errors when assessing risks and identifying controls. This guidance coupled with additional entity level guidance could help reduce the amount of unnecessary testing by management. Regarding qualitative factors, guidance regarding the measurement process would be helpful. Again, all guidance should be thoroughly vetted with the PCAOB.
17. Should the Commission provide management with guidance about fraud controls? If so, what type of guidance? Is there existing private sector guidance that companies have found useful in this area? For example, have companies found the 2002 guidance issued by the AICPA Fraud Task Force entitled "Management Antifraud Programs and Controls"23 useful in assessing these risks and controls?	17. See # 15 above.
18. Should guidance be issued to help companies with multiple locations or business units to	18. N/A

understand how those affect their risk assessment and control identification activities? How are companies currently determining which locations or units to test?	
MANAGEMENT'S EVALUATION	
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.	19. N/A
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?	20. This is the key concept missing from the external auditor's review of management's assessment. Specifically, examples of what is meant by the 'evidence of the application of controls'.
21. What considerations are appropriate to ensure that the guidance is responsive to the special characteristics of entity-level controls and management at smaller public companies? What type of guidance would be useful to small public companies with regard to those areas?	21. N/A
22. In situations where management determines that separate evaluation-type testing is necessary, what type of additional guidance to assist management in varying the nature and extent of the evaluation procedures supporting its assessment would be helpful? Would guidance be useful on how risk, materiality, attributes of the controls themselves, and other factors play a role in the judgments about when to use separate evaluations versus relying on ongoing monitoring activities?	22. Due to pressure from the external auditor, too much separate test-work is being performed at this point and no additional guidance is necessary. Less emphasis on this aspect of assessment would be helpful.
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?	23. Not perceived to be a significant issue.
24. What type of guidance would be appropriate regarding the evaluation of identified internal control deficiencies? Are there particular issues in evaluating deficient controls that have only an indirect relationship to a specific financial statement account or disclosure? If so, what are some of the key considerations currently being used when evaluating the control deficiency?	24. Not perceived to be a significant issue.
25. Would guidance be helpful regarding the definitions of the terms "material weakness" and "significant deficiency"? If so, please	25. What would be helpful is more guidance on material misstatement in the financial statements. Is it based solely on a misstatement

explain any issues that should be addressed in the guidance.	of a material amount based on asset size or net income? Or is the nature of disclosure relevant?
26. Would guidance be useful on factors that management should consider in determining whether management could conclude that no material weakness in internal control over financial reporting exists despite the discovery of a need to correct a financial statement error as part of the financial statement close process? If so, please explain.	26. Not perceived to be a significant issue.
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?	27. Yes, clarify that if a restatement is due to a changing perception of what is reasonable or acceptable that might not indicate a material weakness existed. Additionally, what is the tolerance for errors assumed to be in the control structure? Current application of the guidance would indicate that any error means that a weakness existed, which would mean that the control structure should be designed to achieve no errors, as opposed to a combination of few errors and the timely identification and correction of errors.
28. How have companies been able to use technology to gain efficiency in evaluating the effectiveness of internal controls (e.g., by automating the effectiveness testing of automated controls or through benchmarking strategies)?	28. No.
29. Is guidance needed to help companies determine which IT general controls should be tested? How are companies determining which IT general controls could impact IT application controls directly related to the preparation of financial statements?	29. Yes, too much emphasis has been placed on IT general controls. These controls are preventive in nature and belong in a strong internal control system for operational efficiency. But if sufficient detective controls are in place and tested to prevent a material misstatement in the financial statements, then testing of IT general controls should not be necessary or the impact of the failure of a test (in this instance) would be minimized.
30. Has management generally been utilizing proprietary IT frameworks as a guide in conducting the IT portion of their assessments? If so, which frameworks? Which components of those frameworks have been particularly useful? Which components of those frameworks go beyond the objectives of reliable financial reporting?	30. No, the COSO framework is considered adequate.
DOCUMENTATION TO SUPPORT THE ASSESSMENT	
31. Were the levels of documentation performed by management in the initial years of completing the assessment beyond what was needed to identify controls for testing? If so, why (e.g., business reasons, auditor required, or unsure about "key" controls)? Would specific	31 - 35 The amount of documentation, both during the initial year and in subsequent periods has been greater than necessary due to the lack of clarity from the external auditor. More guidance to the auditor on their limited role in evaluating management's assessment would be

guidance help companies avoid this issue in the future? If so, what factors should be considered?	beneficial. SEC. 404 (b) requires that the external audit firm that issues the audit report for the issuer shall attest to, and report on, the assessment made by the management of the issuer. The audit firms, whether intentionally or not, have driven the design of the assessment based on their audit procedures. Partly, this is due to their desire to support their audit activities. But it is also due to the fact that they are not as close to the controls as management and are therefore more comfortable with traditional test work. While the law requires a report to be issued on the assessment by management, the Board has latitude to determine what that entails. The report should only require that an assessment was performed and provide negative assurance that while performing the external auditor's work, nothing came to their attention indicating that the assessment was incomplete or inaccurate.
32. What guidance is needed about the form, nature, and extent of documentation that management must maintain as evidence for its assessment of risks to financial reporting and control identification? Are there certain factors to consider in making judgments about the nature and extent of documentation (e.g., entity factors, process, or account complexity factors)? If so, what are they?	
33. What guidance is needed about the extent of documentation that management must maintain about its evaluation procedures that support its annual assessment of internal control over financial reporting?	
34. Is guidance needed about documentation for information technology controls? If so, is guidance needed for both documentation of the controls and documentation of the testing for the assessment?	
35. How might guidance be helpful in addressing the flexibility and cost containment needs of smaller public companies? What guidance is appropriate for smaller public companies with regard to documentation?	
SOLICITATION OF ADDITIONAL COMMENTS	