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Reference: File Number S7-11-06; Concept Release Concerning Management's Reports on Internal Control over Financial Reporting

Dear Ms. Nancy M. Morris, Secretary, U.S. Securities and Exchange Commission

We thank you for the opportunity to provide feedback on the topics and questions posed in the U.S. Security and Exchange Commission's Concept Release Concerning Management's Reports on Internal Control over Financial Reporting ("Concept Release"). We believe that Section 404 of the Sarbanes-Oxley Act ("SOX") has positively impacted the financial reporting quality of many companies, including Sprint Nextel Corporation ("Sprint Nextel" or the "Company").

As you may be aware, in August 2005, Sprint Corporation ("Sprint") acquired Nextel Communications, Inc. ("Nextel"). Prior to that time, Sprint and Nextel executed SOX compliance efforts through their respective management assessment processes and under the scrutiny of their respective independent auditors – KPMG in the case of Sprint Nextel, and Deloitte & Touche LLP in the case of Nextel. Insight from these two processes provides us with a unique perspective on SOX that we believe0 will prove useful to the U.S. Securities and Exchange Commission ("SEC") with respect to the questions in the Concept Release.

While necessary and useful, we believe that prior guidance regarding management's assessment process has been only partially successful in providing the requisite level of guidance necessary regarding how a company and its auditors comply with SOX. As you will read in our responses, we feel that additional guidance with respect to particular aspects of the management assessment process will be beneficial to public companies. However, we caution that large scale changes to existing guidance would serve to be more disruptive than beneficial. Further, we believe that if the Staff's additional guidance in this area focuses on the articulation of broad principles in lieu of providing granular guidance, the SEC will likely achieve the necessary balance between providing additional guidance and being respectful of the significant efforts made by companies to develop their management assessment processes to date.

Please note that we have responded to the questions of most relevance to our experience and/or where we have a strongly held view. Such responses are included in the attachment to this letter. We recognize that certain of our suggestions below such as establishing standard control objectives by industry are likely beyond the resource capability of the SEC; however, we make the comments to you in the spirit of responding completely to your questions. We look forward to additional guidance regarding management's assessment and we thank the Staff for their focus on this evolving area. Please call if you have questions regarding our views.

Best Regards,

William G. Arendt
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Attachment

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

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

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?

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 to Questions 1, 3, 7, and 12:

We believe that additional guidance to management regarding how to evaluate the effectiveness of a company's internal control over financial reporting would be useful. Although existing guidance is helpful, we believe that this guidance lacks a consistent framework against which management and their independent auditors can evaluate such effectiveness. Our company uses COSO as an overall framework (augmented by COBIT for IT general controls). While COSO provides useful guidance, we believe there should be additional guidance that assists management and others with linking COSO components more effectively to various control activities that a company has in its internal control structure. For example, we believe that such a framework should include establishing standard control objectives for internal control over financial reporting in all components of COSO including the Control Environment, Risk Assessment, Monitoring, Information and Communication, and Processes, by industry as necessary.

Our belief is that such a framework is necessary for consistent application of SOX by all public companies and their respective independent auditors, which would reduce the inefficiencies created by having different approaches to management's assessment. By way of analogy, preparing financial statements without adequate accounting guidance would be difficult to do and presumably would create a lack of comparability between companies with similar accounting issues. With respect to internal controls, we currently have broad COSO components to follow; however, as noted above we believe the profession should provide more guidance regarding control objectives embedded in these components. While we encourage the Staff to provide more guidance in this area, we also believe that the Staff should allow management the latitude to consider risk and other relevant factors in designing the control activities to address the control objectives as well as adjust or eliminate the stated control objectives as necessary. Finally, we noted that companies have invested substantially to effectively comply with SOX. Accordingly, it is important that any new guidance issued focus on the articulation of broad principles (e.g. control objectives) rather than detailed guidance (e.g. requiring certain control activities).

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?

16. Should guidance be given about the appropriateness of and extent to which quantitative and qualitative factors, such as likelihood or an error, should be used when assessing risks and identifying controls for the entity? If so, what factors should be addressed in the guidance?

<u>Response to Questions 11 and 16:</u>

We believe that the benefits of the May 16, 2005 SEC Staff *Statement on Management's Report on Internal Control Over Financial Reporting,* have been impeded by over-emphasis on "coverage" ratios adopted by certain organizations; as well as by limited credence given to change monitoring, consideration of favorable prior year test results, and by a lack of acceptance of higher level controls (monitoring and entity level) replacing transaction cycle controls. Accordingly, we believe that guidance which fully supports qualitative factors in establishing the nature, extent and timing of testing is needed. Illustrative examples would be beneficial in areas where appropriate change identification processes exist, detailed testing has found controls to be effective, and when reliance on monitoring controls on a rotational basis is allowed would be beneficial.

15. What guidance is needed about the role of entity-level controls in evaluating and assessing the effectiveness of internal controls 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)?

<u>Response to Question 15:</u>

As noted in our response to questions 1, 3, 7, and 12, if an overall control objectives framework is developed and deployed it should include objectives for entity-level areas as well as for process component of COSO. Specific entity level control objectives to be addressed should include Generally Accepted Accounting Principles (GAAP) expertise, tax expertise, the role of the audit committee, risk assessment processes with an emphasis on accounting and regulatory issue identification, and entity level fraud controls (whistle blower hotlines, etc.). In addition, it would be helpful if the Staff identified situations where effective entity level controls could reduce testing in the process component of COSO.

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 issue by the AICPA Fraud Task Force entitled "Management Antifraud Programs and Controls" useful in assessing these risk and controls?

<u>Response to Question 17:</u>

We believe that additional guidance to help focus management and the independent auditors to fraud risks which could materially misstate the financial statements is necessary. Statement on Auditing Standards (SAS) 99 defines and discusses fraud from an auditor perspective. It would be very beneficial if the themes in SAS 99 were reinforced and introduced in future guidance. While the 2002 guidance issued by the AICPA Fraud Task Force is useful, it could be further enhanced if illustrative examples were provided. Significant interpretation exists as to which fraud controls a company should include in its SOX assessment. Examples would further refine companies' fraud assessments and approach to identifying controls to prevent, deter, and detect fraud that can materially misstatement the financial statements vs. controls that mitigate the risk that employees are intentionally exceeding their daily meal allowance while on travel, or the risk that retail store managers are providing employee discounts to friends. Such refinements would presumably allow an organization to focus its' resources on fraud risks which could be significant to an organization.

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?

<u>Response to Question 19:</u>

We believe that additional guidance in this area would be helpful as a means to remove many of the time-consuming documentation and testing of lower risk areas that have historically been included as part of a company's SOX 404 compliance plan. In addition, detailed examples of when entity level controls can be used to reduce the need for testing at a lower, more transactional level would be useful. We understand that many compliance efforts merely consider entity level controls as just another group of controls that need to be documented and tested. We believe that entity level controls are of paramount importance and value to an organization and that, if you have effective entity level controls, there is less risk for error at the process level and therefore testing could be reduced. It has unfortunately proven difficult to operationalize this logical concept and therefore additional guidance is warranted in our opinion.

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?

Response to Question 20:

We believe that guidance in this area including specific examples would be useful. One form of evidence we have used is creating white papers describing the control environment. In these assessments we describe skills, independence and level of management oversight of resources performing the monitoring and/or formally noting inherent risk factors which reduce magnitude or likelihood of financial statement misstatement. These documents serve to evidence rationale behind testing approaches. Also, management involvement in the 302/404 compliance efforts itself and monitoring of key management scorecard metrics can provide further evidence of control environment risk, risk assessment, tone at the top, etc. to reduce level of detailed testing transactional areas.

25. Would guidance be helpful regarding the definitions of the terms "material weakness" and "significant deficiency? If so, please explain any issues that should be addressed in the guidance.

Response to Question 25:

One area of refinement we suggest is to remove the word "interim" from the definitions of significant deficiency and material weakness as defined in PCAOB Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with An Audit of Financial Statements.* While the SEC and the PCAOB have both explained that the concept of interim materiality should only be used in evaluating deficiencies and should not impact the scope of management's assessment (e.g. significant accounts and testing should be focused on impact to annual financial statements), we believe this change would better align the evaluation of control issues with the materiality used for scoping and the testing.

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?

Response to Question 29:

As noted in our response to question 1, 3, etc., a standardized control objective framework should be established. It should include objectives specific to IT general controls. While COBIT provides companies with a starting point for objectives companies should consider complying with 404, we believe there is not a consistent application between companies regarding which objectives are in scope. In addition, existing guidance on evaluating the significance of an IT general control deficiency indicates we should consider it in context with the evaluation of application controls. With the existence of strong entity level and process controls, we believe that certain IT general control deficiencies do not have a direct impact to providing reasonable assurance that the financial statements are not materially misstated. For example, deficiencies related to physical security controls are generally mitigated by other compensating controls. We believe that refined guidance focusing on reducing the control objectives to the most critical areas (logical access to critical financial systems) would be a significant enhancement to company's ability to comply with SOX in a more efficient manner without reducing effectiveness

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?

Response to Question 33:

We believe that additional guidance needs to be provided regarding document retention guidelines. This guidance needs to include duration by type of documentation (process documentation, results of management testing, evidence of every instance of control operation, etc.). For example, guidance as to whether companies are required to maintain the full population of evidence for control operations for extended periods beyond sign-off by the independent auditors is necessary.