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September 18, 2006

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

Re: SEC Concept Release

Dear Ms Morris,

We appreciate the opportunity to comment on the *SEC Concept Release Concerning Management's Reports on Internal Control over Financial Reporting*. Overall, we are fully supportive of the Sarbanes Oxley legislation and believe it has strengthened Corporate Governance. However, based on our experience the past three years, we believe requirements for Section 404 of the Act could be refined to improve overall effectiveness and efficiency.

We believe there are two opportunities for significant improvement. The first is to revisit the requirement for two External Auditor opinions which causes duplicative work and requires significant management support. We believe one Auditor opinion on the effectiveness of management's assessment based either on a review of management's work or on an independent audit meets the intent of Section 404.

The second opportunity is to determine the audit scope and testing approach based primarily on risk assessment rather than quantitative guidelines. Currently, a disproportionate amount of time is spent auditing low risk transactional controls yet these aren't the controls that led to the management fraud at companies like Enron and Worldcom. While risk is company specific, examples of low risk transactions may include fixed assets, payroll, accounts payable, and other processes which have little risk of causing a material financial statement error or management fraud. Conversely, frequent testing and monitoring of high risk areas is necessary and we fully support continuing the processes we have implemented to comply with Section 404 in these areas.

Below are three recommendations on how to incorporate risk into the audit of internal controls:

- Risk Based Scope – Currently, the audit scope is primarily determined based on quantitative coverage of each financial statement line rather than risk. The audit scope should be determined based on the effectiveness of entity level controls and an assessment of enterprise risk. The strength of entity controls such as Board governance, organization structure and competencies, the role of Internal Audit, policies, disclosure processes, and accounting reviews should be key considerations in determining the audit scope. A comprehensive enterprise risk assessment should also be considered to identify risk that may cause significant management fraud or material financial statement errors. An effective risk assessment incorporates past experiences, Internal Audit findings, significant changes to company strategies or processes, and other company specific risk.

- IT Controls – A significant amount of time is spent testing IT controls each year but there have been few examples of material weaknesses resulting from IT controls. In most cases, IT control deficiencies are mitigated by other compensating controls. Management and Auditors should have the flexibility to determine the extent of annual testing based on the effectiveness of IT entity controls, past experience, significant changes to critical IT applications, and risk of fraud or material errors.
- Reliance on Cumulative Knowledge – Most processes do not change annually. In addition to a risk based approach to the scope, audits could be improved by using a risk based approach to determining extent and timing of controls testing. Rotational testing of operational effectiveness, such as testing every two years, should be permitted if no changes have occurred in the design of controls and there is a low risk of management fraud or material errors.

Finally, in response to the Commission's question on the format of additional SEC Management guidance, we suggest it be in the form of interpretive guidance rather than a rule. In either case, it's critical that SEC Management Guidance and PCAOB AS2 are aligned to drive efficiencies such as the ability of Auditors to use the work of management.

We believe our suggested refinements are in line with recent SEC and PCAOB guidance and would benefit both large and small companies as well as shareholders.

Thank you again for the opportunity to provide feedback for your consideration in issuing additional guidance and amending AS2.

Sincerely,

Steven J. Strobel
Senior Vice President and Corporate Controller
Motorola