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

Subject: Comments on Proposed Rule: Management's Report on Internal Control Over Financial Reporting (File# S7-24-06)

I believe that the three points companies should consider in their disclosure on material weaknesses (p46) shouldn't be voluntary; rather, management should be forced to inform their investors anything that they can regarding the material weakness. The investors, I feel, should be made aware of any issues involving their investment.

I don't believe that companies should be allowed to decide whether or not they 'should' disclose to investors to understand the "root cause of the control deficiency and to assess the potential impact of each particular material weakness." One of Sarbanes Oxley's indirect goals is to give current/potential investors accurate and reliable information regarding the effectiveness and efficiency of a company's internal controls over financial reporting. Investors (shareholders) should be told exactly what the source of the problem is, if indeed there is found to be "one or more material weaknesses."

Also, regarding the topic of "previously issued financial statements" (p47) and whether the management's report should be reexamined, management should be made to reassess/revise its overall conclusion on the effectiveness of internal controls over financial reporting. The sole fact that financial statements are being restated, must 'necessitate' that management should reevaluate their prior conclusion of the effectiveness of internal controls over financial reporting. The controls that were implemented by management, to ensure efficient financial reporting, failed during the time in which a misstatement occurred. Wouldn't it be irresponsible of management if the investors weren't entitled to a revised conclusion of their controls effectiveness? Shareholders should be provided necessary information to allow them to make adequate financial decisions regarding their investment.

I feel that the above issues must become a mandatory practice of management to add some sort of "worth" or "value" to their internal controls, and the benefits to the investors should be considered when using the cost-benefit principal. Management is being allowed to "cut corners" when dealing with a reassessment of their internal controls; therefore, a depiction of thoughtlessness can be construed if management does not do all that they can to keep their investors informed.

I do like the fact of testing the compensating controls when a primary control becomes ineffective. It is very possible that with a weakness in a control, that related controls could also prove to be flawed. However, I question how management will consider how detailed their testing of these compensating controls should be. Would the cost-benefit principal be the major deciding factor?

Finally, when discussing “large” and “small” companies, I am wondering what basis of measurement is being used to differentiate the two. I could not find this throughout the literature, and feel it to be useful in order to add clarity.

Sincerely,

Derek Hammen
2008 Candidate for CPA Exam, University of Wisconsin- La Crosse
La Crosse, Wisconsin