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February 26, 2007

Attn: Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

File Number S7-24-06
Proposed Interpretive Guidance - ***Management's Report on Internal Control Over Financial Reporting***

Dear SEC,

Schneider Downs thanks the SEC for the opportunity to comment on the proposed rule ***Management's Report on Internal Control Over Financial Reporting***. We respectfully acknowledge the SEC's proactive efforts in addressing many of the concerns raised by both business and the accounting profession since the implementation of the Sarbanes-Oxley Act. The proposed rule provides significantly clearer guidance regarding the expectations placed on management and the external audit profession. We found that many ambiguities of the existing rule that were cause for debate and interpretation have been addressed if not eliminated. The intent of the revised rule is welcomed in both the business and accounting communities.

In review of the proposed rule, we put forth the following observations for your consideration which we believe will further clarify areas where greater definitive guidance would be beneficial.

When assessing the guidance, two points where greater clarification/insight regarding classifying a deficiency as a material weakness would be welcomed:

1. With respect to Section - **B. Reporting Considerations 1. Evaluation of Control Deficiencies (page 46 of the rule) -** On the point that significant deficiencies that go unaddressed after some reasonable period of time rise to the material weakness level appears to be a contradiction of the need to assess the specific risk level associated with the deficiencies based on potential impact and probability. This point may introduce mayhem into the assessment process as the "reasonably possible" or "probable" criteria for arriving at a material weakness conclusion will technically be non-applicable to such deficiencies. As the intent of the guidance was to establish greater clarity for management, this introduces very nebulous criteria that will result in many disagreements between parties. Understanding

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that neglect in addressing significant deficiency is certainly a concern and should be addressed expeditiously, applying such criteria to arrive at a material weakness undermines the purpose of the guidance to more clearly establish what risk level constitutes material weakness. If a deficiency was previously assessed as significant and all factors remained similar in a subsequent period in which the deficiency remains unresolved, it is arguable that no additional risk level is posed to the internal controls over financial reporting and that such should be again classified as significant.

In the most recent PCAOB proposed rule (**Proposed Auditing Standard – AN AUDIT OF INTERNAL CONTROL OVER FINANCIAL REPORTING THAT IS INTEGRATED WITH AN AUDIT OF FINANCIAL STATEMENTS – December 16, 2006 - PCAOB Release No. 2006-007 December 19, 2006 PCAOB Rulemaking Docket Matter No. 021)** the following is stated in section **4. Revising the Strong Indicators of a Material Weakness (page 12)** – "Specifically, significant deficiencies that have been communicated to management and the audit committee and remain uncorrected after a reasonable period of time could indicate that the company's control environment may be ineffective. The auditor would need to evaluate whether the company's control environment is, in fact, ineffective. If so, the ineffective control environment—not the uncorrected significant deficiencies—would be a strong indicator of a material weakness."

The PCAOB guidance appears to allow for a conclusion other than a material weakness concern in such a circumstance. We propose the guidance be consistent and in line with the language used in the PCAOB's proposed standard.

2. With respect to Section - **B. Reporting Considerations 4. Impact of a Restatement of Previously Issued Financial Statements on Management's Report on ICFR (page 47 of the proposed rule)** - On the point of an actual restatement resulting in a material weakness, the point does not address situations where a company places reliance on the opinion/guidance provided by a recognized third party specialist/expert. Having done proper due diligence in selection of the third party and not having the internal expertise to conclude on a matter without third party assistance, it would appear reasonable and prudent to follow the guidance provided. However, if a company experiences a restatement under these conditions, in such a situation, where appropriate evidence of due diligence in selecting the third party specialist/expert is available, a company would appear to have proper internal controls over financial reporting and the resulting restatement would not appear to be representative of a failed internal control resulting in a material weakness.

In support of this position, SEC guidance in section **D. Evaluating Internal Control Deficiencies** of the SEC's **Division of Corporation Finance Office of the Chief Accountant U.S. Securities and Exchange Commission May 16, 2005 - Staff Statement on Management's Report on Internal Control Over Financial Reporting on May 15, 2005** contains the following guidance - "One particular area brought to the staff's attention involved financial statement restatements due to errors. Neither Section 404 nor the

Commission's implementing rules require that a material weakness in internal control over financial reporting must be found to exist in every case of restatement resulting from an error. Rather, both management and the external auditor should use their judgment in assessing the reasons why a restatement was necessary and whether the need for restatement resulted from a material weakness in controls. Such an evaluation should be based on all the facts and circumstances, including the probability of occurrence in light of the assessed effectiveness of the company's internal control, keeping in mind that internal control over financial reporting is defined as operating at the level of "reasonable assurance.""

More explicit guidance in such a circumstance should be considered for inclusion in the SEC's guidance. We believe that the guidance provided by the SEC in its May 16, 2005 guidance enables companies to demonstrate effective internal control if due care was used in the selection of a specialist/expert and a restatement occurred based on guidance received from the specialist/expert.

We thank you for considering these observations.

Sincerely,

Schneider Downs & Co. Inc.

Schneider Downs & Co.