February 26, 2007

Via e-mail to:

Securities and Exchange Commission
100 F Street, NE
Washington, DC 2049-1090

RE: File Number S7-24-06

Comments related to RIN 3235AJ58, Management's Report on Internal Control Over Financial Reporting, Proposed interpretation, Proposed rule

We appreciate the opportunity to comment on the proposed interpretation/proposed rule related to providing guidance to management in conducting their evaluation of internal control over financial reporting.

Tatum LLC is the largest and fastest-growing executive services firm in the United States providing clients with, among other professional services, Sarbanes-Oxley compliance and consulting services. Tatum, and The Controller Group, now a division of Tatum, like many other professional services firms, has been on the frontline with the Sarbanes-Oxley Act since it was passed in 2002. This experience has enabled us to see full well the challenges that companies have faced and are currently experiencing with initial compliance as well as ongoing monitoring.

Overall, we support the issuance of guidance specific to management and believe that it will contribute to enhancements and improvements in implementation. We have reviewed and provided comments related to the PCAOB proposed Audit Standard and believe that there are opportunities to more closely align and relate the guidance for management with the guidance for auditors to avoid potential disagreements or misunderstandings. We understand the need to avoid guidance that is too strict or detailed and to allow for judgment and flexibility; however, we believe that more practical guidance is necessary in a number of areas to truly achieve the desired efficiencies. We offer the following observations for your consideration:

Overall Comments

We suggest clarification of the objective/philosophy related to comparing management's evaluation to that of the auditor. For example, it should be made clear that management's activities supporting its evaluation of internal control over financial reporting should be sufficiently detailed to support its certification and demonstrate its responsibility, while the objective of the auditor is to perform activities necessary to validate control effectiveness and provide a basis for their opinion. We believe clarification is important to avoid the perception that management's evaluation may require significantly less effort than the auditor evaluation.

We also suggest that the PCAOB and SEC guidance be more closely aligned with respect to specific activities such as scoping and testing. For example, the proposed auditing standard discusses identifying significant accounts and major classes of transactions and relating them (and controls) to relevant financial statement assertions (AS5 paragraphs 28 and 29, 32-34); however, these activities are not mentioned in the SEC guidance for management. In addition, the SEC guidance "allows the auditor and management to have different testing approaches." Differences in scope and testing approach could result in large differences between the evaluations being performed by management versus those performed by the external auditors. This difference may result in disagreements or unnecessary testing of accounts and/or locations/business units and could further result in deficiencies, including significant deficiencies and material weaknesses, identified by external auditors rather than management. In addition, if the scope, activities and testing are not somewhat aligned, companies will lose the opportunity to capitalize on the benefits of auditor reliance and their ability to leverage the work performed in conducting management's assessment to reduce the amount of work performed by the auditor.

We recommend additional and specific guidance related to inclusion of controls related to service organizations in management's evaluation of controls over financial reporting. The guidance should be closely aligned with the PCAOB proposed guidance to promote reliance by auditors on the work performed by management in conducting its evaluation.

We also suggest additional management guidance and "alignment" with the PCAOB proposed auditing standard related to the following:

- Materiality
- Risk Assessment and relation to significant accounts and key controls
- Use of key control terminology
- Clarify testing approaches (as previously noted)
    - Recommended or typical sample sizes
    - Timing clarifications – as of point-in-time or only at year-end versus throughout the period, and testing as of interim, then performing certain rollforward procedures
    - Benchmarking
    - Evidential matter
- Impact of auditor reliance if management and auditor have significant differences in strategy
- Evaluating deficiencies – use of the framework to provide consistency in judgment between auditor and management
- Indicators of significant deficiencies and material weaknesses (PCAOB proposed standard paragraph 78 and 79)

We offer the following comments related to the proposed guidance for consideration:

Identifying Financial Reporting Risks and Controls

- We suggest clarification of the last paragraph indicating that in subsequent years, evidence supporting management's assessment will only need to be updated. This may be misinterpreted by certain companies to imply that they will perform little or no testing in subsequent years.
- Identifying Financial Reporting Risks - As previously noted, suggest alignment with PCAOB guidance and financial statement assertions.
- Additional guidance related to fraud assessment. For example, barring prior documented incidents of fraud, how does management satisfy itself and document its ability to reduce and manage its vulnerability to fraud under the new standard – through the use of the overall risk assessment or a specific fraud threat analysis?
- Suggest clarification of those who may provide adequate knowledge to appropriately identify financial reporting risk through management's daily involvement with the business. The intent may be misinterpreted in smaller companies to mean the CEO - who may be entrepreneurial or sales -oriented and not as "aware" of financial reporting risks as another member of management or a combination of other members of management who monitor finance and operations.

Identifying Controls that Adequately Address Financial Reporting Risks

- The comments related to choosing controls for which evidence is most readily available/efficient to evaluate do not necessarily encourage the use of the most effective control. This may lead to misinterpretation by some companies or manipulation of testing or testing results rather than remediation of controls.
- Consider additional guidance and discussion of benefits to "aligning" judgments with external auditors to provide foundation of reliance and to set appropriate expectations.

Evidential Matter to Support the Assessment

We suggest additional practical guidance related to maintaining evidential matter. Is it reasonable to assume that management may provide "reasonable support" when they only have to "consider" the need to maintain evidential matter and they may determine that it is not necessary to separately maintain copies of the evidence it evaluates? Lack of evidence will impair the ability to reduce external auditor work to gain reliance and leverage work performed in conducting management's assessment.

Evaluating Evidence of Operating Effectiveness

We recommend clarification related to testing requirements and/or additional practical guidance and examples. Certain comments imply that management may not have to perform any testing, that their daily interaction with controls provides sufficient knowledge about their operation in order to evaluate operating effectiveness. Clearly there are situations where it may be impractical and inappropriate to rely on assumptions by management through daily interaction with controls. More guidance related to judgments and the types of activities would be appropriate to avoid misinterpretation or misapplication.

Reporting Considerations

The comments related to disclosures about material weaknesses may be interpreted as permission to be vague in disclosure of material weaknesses by only indicating that management should "consider" disclosing additional information besides the mere existence of the material weakness. We believe the language should be stronger to encourage full disclosure.

Impact of Restatements

We have witnessed much confusion related to modifications of prior year disclosures and conclusions when a restatement is required. The statement that there is "no requirement to revise conclusion on effectiveness of ICFR" seems counter-intuitive in the face of a restatement due to an error or misapplication of GAAP. Additional practical guidance and examples should be provided as to when a restatement, for other than a change in accounting principle, would not require a modification of previous conclusions and disclosure.

Specific Requests for Comment

We offer the following for consideration related to specific questions contained in the proposed guidance that are not addressed by other comments herein:

- We believe that the existing staff guidance and FAQs continue to be relevant; however, there are some questions that require modifications in light of new guidance.
- We believe that the statement that management's evaluation satisfies the evaluation requirements if it is conducted in accordance with the interpretive guidance may be misleading. As previously noted, the guidance is fairly broad and theoretical, providing for significant judgments. It is possible that management

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and the auditors will evaluate controls differently which may, in turn, lead to deficiencies or material weaknesses identified by the auditors rather than management, thus indicating that management's assessment was ineffective. It may also encourage some companies to interpret the guidance with a minimalist attitude and conduct ineffective evaluations, yet still be able to demonstrate that they "comply" with the interpretive guidance.

As stated earlier, we appreciate the opportunity to provide our comments. We look forward to the final guidance with great interest and would be pleased to discuss any of our comments with you further.

Sincerely,

Kathy Schrock

Kathy Schrock
Partner and National Solution Leader – Sarbanes-Oxley
Tatum, LLC