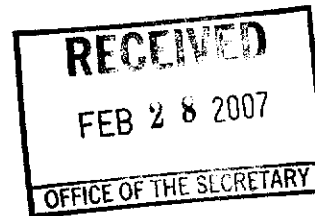




Business Roundtable



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February 28, 2007

VIA FACSIMILIE

Ms. Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
150 F Street, NE  
Washington, DC 20549

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The McGraw-Hill Companies  
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Johanna I. Schneider  
Executive Director  
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**Re: Management's Report on Internal Control Over Financial Reporting –  
File Number S7-24-06**

Dear Ms. Morris:

This letter is submitted on behalf of Business Roundtable, an association of chief executive officers of leading U.S. companies with over \$4.5 trillion in annual revenues and more than 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock market and represent nearly a third of all corporate income taxes paid to the federal government. Roundtable companies give more than \$7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with \$86 billion in annual research and development spending – nearly half of the total private R&D spending in the U.S.

Business Roundtable strongly supported the enactment of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), as well as the efforts of the Securities and Exchange Commission (SEC) to implement Sarbanes-Oxley. We believe the principles-based guidance (the "Guidance") proposed by the SEC on December 20, 2006 regarding management's evaluation of internal control over financial reporting (ICFR) is a significant step toward improving the efficiency and effectiveness of Section 404.

The SEC's initial rules implementing Section 404 of Sarbanes-Oxley did not offer guidance for management to follow in performing its evaluation of ICFR. As a result, many companies, with encouragement from their auditors, looked to Auditing Standard No. 2 ("AS2") of the Public Company Accounting Oversight Board (PCAOB) for guidance on how to establish ICFR systems and to conduct the management evaluation of ICFR. This approach led to excessive testing and documentation efforts, which increased implementation costs.

We believe that the SEC's approach set forth in the Guidance that focuses on risk and materiality will prove beneficial to all public companies. This approach allows

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management to concentrate its efforts on those controls that prevent or detect a material misstatement in the financial statements. In addition, it permits management to use a sliding-scale approach to evaluating those internal controls that are needed to prevent or detect a material misstatement, based on management's assessment of the risk associated with those controls.

We support the SEC's explicit confirmation in the Guidance that management can rely on this guidance, and not AS2 (or any superseding standard), for purposes of conducting an appropriate evaluation of the company's internal control over financial reporting. We also support the determination to provide that the Guidance is optional for companies that already have developed an effective internal control system that complies with Section 404 requirements.

In addition, we support the amendment of Exchange Act Rules 13a-15(c) and 15d-15(c) to provide a non-exclusive safe harbor provision that allows management to establish that it conducted an appropriate evaluation if it has been conducted in accordance with the Guidance. One consequence of this safe harbor provision may be that companies that are already Section 404-compliant may nevertheless shift their compliance processes to align with the Guidance in order to take advantage of the safe harbor. Given this likelihood, we urge the SEC to clarify that companies will not be penalized for the effort (and cost) it takes in shifting evaluations to align with the Guidance.

While the Guidance and AS2 (or any superseding PCAOB standard) are designed to serve distinct purposes, the interplay between the two is critical. Thus, to avoid inefficiencies and confusion, there are certain differences between the Guidance and the PCAOB's proposed new auditing standard (the "PCAOB Proposal") that we believe should be harmonized. For example:

- The Guidance is appropriately flexible as to the steps that management needs to undertake to design and maintain effective ICFR and the documentation necessary to establish this. The PCAOB Proposal, however, sets forth significant detail regarding the level of required documentation needed for the auditor to assess whether the company's ICFR is effective. The Guidance should address this disconnect in order to avoid a replication of the situation where management is forced to look to AS2 (or any superseding PCAOB standard) for guidance as to the appropriate documentation parameters. Specifically, the Guidance should establish that if a company's ICFR documentation satisfies the "reasonableness" tests for documentation outlined in the Guidance, then a company's ICFR should not be viewed as ineffective solely because each of the documentation provisions in the PCAOB Proposal is not satisfied.
- Similarly, both the Guidance and the PCAOB Proposal offer views as to indicators of material weaknesses. Specifically, whereas the PCAOB Proposal states that an ineffective internal audit function and risk assessment process are each strong indicators of a material weakness, the Guidance does not list these as examples. To avoid unnecessary confusion between management and auditors in assessing whether a control deficiency constitutes a material weakness, examples of material weakness indicators in the Guidance and the PCAOB Proposal should be consistent.

We appreciate the opportunity to present our views on this subject. We want to express our continued support for the underlying premise of Section 404 – effective ICFR. The suggestions

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we have outlined are designed to enhance the efficiency and effectiveness of the Section 404 process, while still preserving the benefits Congress intended.

Please do not hesitate to contact Thomas Lehner at Business Roundtable at (202) 872-1260 if we can provide further information.

Sincerely,



Michele L. Cahn Peters

Vice President-External Affairs, Xerox Corporation

Chair, Corporate Governance Coordinating Committee, Business Roundtable

cc:

Hon. Christopher Cox, Chairman

Hon. Paul S. Atkins, Commissioner

Hon. Roel C. Campos, Commissioner

Hon. Annette L. Nazareth, Commissioner

Hon. Kathleen Casey, Commissioner

Mr. John W. White, Director, Division of Corporation Finance