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Ms. Nancy M Morris, Secretary
U.S. Securities and Exchange Commission
100 F Street NW
Washington, D.C. 20549-1090

Reference: File Number S7-24-06; Proposed Rule:
Management's Report on Internal Control Over Financial Reporting

Dear Ms. Morris:

We thank you for the opportunity to provide our perspectives on the U.S. Securities and Exchange Commission's (the "Commission") proposed rule, *Management's Report on Internal Control Over Financial Reporting* ("Proposed Rule"). As we mentioned in our prior response to File #S7-11-06, we believe that Section 404 of the Sarbanes-Oxley Act has proven to be beneficial and has positively impacted the financial reporting quality of many companies including Sprint Nextel Corporation ("Sprint Nextel" or the "Company"). We further believe that providing additional guidance regarding management's internal control assessment process will be useful in helping management structure its process to appropriately balance effectiveness with efficiency.

We believe the Proposed Rule, taken together with the Public Company Accounting Oversight Board's ("PCAOB") proposed Auditing Standard, *An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements* ("Proposed Standard"), will likely result in a reduction of total compliance efforts with the extent of any reduction varying depending on each issuer's circumstances. As a large accelerated filer, over the last three years we have continued to optimize our compliance efforts through experience and by utilizing the Commission's May 2005 staff guidance and Frequently Asked Questions (revised October 6, 2004). We would, however, anticipate a cost reduction from our implementation of the Proposed Rule to the extent we are able to successfully implement the top-down, risk-based approach and other concepts embedded therein.

We ask that the Commission provide examples to illustrate certain key concepts in the Proposed Rule. We believe that the addition of such examples will help us interpret the concepts in the standard, as has been the case with the appendices to Auditing Standard No. 2. We believe that the proposed guidance is appropriately based on the articulation of broad principles. In our opinion, providing additional examples will not be perceived as contrary to a principles based approach, rather they will provide a vehicle to relate and apply the guidance to an individual's facts and circumstances. We also ask the Commission to conform the terminology and approach in the Proposed Rule to the Proposed Standard. To the extent there continue to be significant differences between the two rules, we believe that it will be difficult for us to fully leverage the concepts in the Proposed Rule. We share with you our comments on the areas that we believe require further clarification in the paragraphs below.

Risk Based Approach and Entity Level Controls

We believe that the Commission should provide further detail and illustrative examples regarding how to implement a risk-based approach. Specific guidance regarding how management can reduce testing and create efficiency in inherently low risk areas is necessary to implement the concepts in the Proposed Rule. For example, when would certain processes (e.g. payroll) be a candidate for reduced or even rotational testing? Our current interpretation is that the Proposed Rule would not allow for pure rotational testing; however, the Proposed Rule does appear to permit reduced testing in certain circumstances, such as limiting testing to design effectiveness, which we believe to be conceptually appropriate.

We also believe that the Commission should provide specific guidance and examples of areas where management can rely on entity level controls to reduce testing at the business process level. We respectfully submit that there may not be a clear method to directly address the effectiveness of process level controls through entity level controls; however, perhaps when the effectiveness of entity level controls is substantiated through testing, the required level of operating effectiveness testing of process controls could be reduced. For example, if a company has several process level controls designed to mitigate the risk of theft of high volume, low dollar items, would it be appropriate to reduce the testing of operating effectiveness of these controls if we tested the related controls in the control environment and risk assessment areas and have deemed them to be effective?

Interaction between Management and the External Auditor

We believe that it is critical to align the concepts and terms in the Proposed Rule to the Proposed Standard. If management uses greater latitude and judgment under the Proposed Rule, a potential gap between management's assessment process and the external audit methodology will inevitably be created. For example, there will likely be differences in the types of controls that are in scope, the level of design effectiveness and operating effectiveness testing, as well as in the supporting documentation. These presumably unintended differences may lead to new inefficiencies which could lead to higher external audit fees if auditors are unable to rely on certain aspects of management's process.

Materiality and the Evaluation of Control Deficiencies

We believe the Proposed Rule needs additional clarity regarding materiality. Specifically, additional commentary regarding restatements of previously issued financial statements would be useful. For example, when a deficiency in a control results in a misstatement that is immaterial in any given year; however, aggregates to a material adjustment to be made in a single year and is detected by management's controls at year-end, does a material weakness exist?

We also note that as the internal control related rules and regulations have evolved, scoping materiality and assessment materiality have remained relatively consistent with one another, which we believe to be conceptually appropriate. We point out that this is not the case when assessing financial statement errors from a substantive viewpoint according to SEC rules, where assessment materiality can be dramatically different than scoping materiality. It would be helpful if the Staff provided guidance to reconcile these views as this difference may create inconsistencies between evaluating control deficiencies and evaluating related substantive errors.

In addition, there is one notable inconsistency between the Proposed Rule and the Proposed Standard in the discussion of strong indicators of a Material Weakness. The Proposed Rule does not include one of the indicators listed in the Proposed Standard. Specifically, the Proposed Standard includes an ineffective internal audit function or risk assessment function at a company for which such a function needs to be effective for the company to have an effective monitoring or risk assessment component.

Finally, pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934, management is required to disclose all significant deficiencies to the auditors and to the audit committee of the board of directors. The Proposed Rule is not consistent with or does not clearly define a significant deficiency when compared to the Proposed Standard. In contrast, the Proposed Standard discusses the term "significant." It defines "significant" as "less than material yet important enough to merit attention by those responsible for oversight of the company's financial reporting." It would be helpful to not only align this discussion between the two standards, but to further clarify the terminology. Specifically, is it the commission's intent to specify a different quantitative threshold than that which is commonly used in practice when determining what is significant?

IT General Controls

Our company uses the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as an overall framework. However, since COSO provides limited guidance regarding information technology risk and controls, we,

like many companies, have gravitated to Information Technology Governance Institute's (ITGI's) *IT Control Objectives for Sarbanes-Oxley*. As we stated in our response to file #S7-11-06, a standard control objective framework for IT general controls should be established. The two paragraphs on pages 27 and 28 of the Proposed Rule do not provide sufficient guidance in our view. At a minimum, a reference to the ITGI guidance would be helpful. Additionally, as discussed on page 28 of the Proposed Rule, IT General Controls ordinarily do not directly prevent or detect a material misstatement in the financial statements. The lack of clear guidance and the acknowledgement that there is less direct risk to material misstatement to the financial statements leaves IT General Controls a prominent area where cost to comply potentially outweighs the benefit. While we appreciate the role of IT General Controls in internal control over financial reporting, this is an area where additional guidance that appropriately explores ways to reduce the levels of assurance and scope based on risk is necessary.

Evidential Matter

The Proposed Rule indicates that the nature of evidential matter may be varied based on risk. Once again, this is an area where illustrative examples would help guide management. The only example provided relates to smaller companies and refers to "daily interaction with controls" providing a basis for assessment. Please provide an example for large filers. Such guidance will be particularly helpful due to the documentation standard currently required by PCAOB for external audits.

We encourage the Commission to release the new assessment guidance as early in 2007 as possible so that we can fully utilize these concepts in our 2007 compliance efforts. We thank the Staff for their efforts on this project. Please call if you have questions regarding our views.

Regards,



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