PEPSICO

July 12, 2007

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

Reference File No. S7-24-06

Dear Ms. Morris:

We appreciate the opportunity to comment on the SEC's questions regarding the definition of a "significant deficiency". We continue to support the SEC's and PCAOB's efforts to enhance the guidance available to companies and auditors in this complex and challenging area.

1. Would the definition of a "significant deficiency" facilitate more effective and efficient certification of quarterly and annual reports if it were defined as discussed above?

   The definition of "significant deficiency" is proposed as follows: "a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a registrant's financial reporting".

   We believe this definition will facilitate effective and efficient certification of quarterly and annual reports since it allows for judgment to be applied when evaluating the severity of the identified deficiency as well as context in comparison to those deficiencies that are determined to be material weaknesses. In addition, this definition will enable a top-down risk-based approach and will be straightforward to apply.

2. Conversely, should the definition of "significant deficiency" include a likelihood component or other specific criteria? If so, should we align such a definition with the PCAOB's auditing standard, and how?

   We do not believe that the definition of "significant deficiency" should include a likelihood component and as stated above, we believe the proposed definition will be easily understood by both management and their auditors. In order to ensure consistent application, we support the SEC's adoption of the same definition as the PCAOB standard.

3. We do not anticipate that the definition will impact the amount of time it takes for management to evaluate whether identified deficiencies are significant deficiencies, nor do we anticipate that this definition will affect any existing collection of information. However, are there any additional costs or burdens involved in evaluating whether identified deficiencies meet the definition of significant deficiency? If so, what are the types of costs, and the anticipated amounts? In what way can the definition be further modified to mitigate such costs while still appropriately describing deficiencies that should be disclosed to audit committees and auditors?

   We do not believe the definition will increase the time to evaluate identified deficiencies. In fact, there may be some reduction in time resulting from the new definition. The ability to make judgments is one of the key responsibilities of management including making decisions regarding accounting estimates, operational matters and corporate governance in the normal course of business. We do not view these types of determinations any differently than those related to SOX 404 and as a result, we should be able to determine which deficiencies are important enough to merit attention by those responsible for oversight of our financial reporting.

4. We believe one of the benefits of the definition is that it focuses on the desired result of identifying matters that are important enough to merit attention, which will allow management to use sufficient and appropriate judgment to determine the deficiencies that should be reported to the auditor and the audit committee while allowing management to use its judgment to determine what those matters are. Are there additional potential benefits we have not considered? Additionally, a potential consequence of the definition is that, due to the flexibility provided in the definition, there may be less comparability among companies in terms of what management determines is a significant deficiency. Is this accurate? Are there other potential costs or burdens? How should we mitigate such costs or burdens?

   At present, there are many areas that require judgments, estimates and management's intent. Although differences may exist across companies, there are consistent frameworks being utilized (e.g. US GAAP, COSO, etc.) As a result, we do not believe that the flexibility inherent in the definition will reduce comparability across companies.

5. Is there any special impact of the definition of significant deficiency on smaller public companies? If so, what is that impact and how should we address it?

> *We do not believe there is any special impact of the definition of significant deficiency on smaller public companies.*

We appreciate the opportunity to express our views and would be pleased to discuss our comments. Please do not hesitate to contact me at (914) 253-3406.

Sincerely,

Peter Bridgman.

Peter A. Bridgman
Senior Vice President and
Controller

cc: Richard Goodman, Chief Financial Officer
Marie T. Gallagher, Vice President & Assistant Controller