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July 18, 2007

Securities and Exchange Commission  
Attn: Nancy M. Morris, Secretary  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Re: **Release Nos. 33-8811; 34-55930; File No. S7-24-06**  
Definition of a Significant Deficiency

Dear Ms. Morris:

We appreciate the opportunity to comment on the above referenced Release. We support the definition of significant deficiency as “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 note this definition in the Release is the same as that used by the PCAOB in AS No. 5, *An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements*. A common understanding as to the meaning of certain key terms is critical to successful implementation and compliance with the requirements of Section 404, and we commend the Commission and the PCAOB for aligning the key terms used in connection with Section 404. We encourage the Commission to adopt this definition as soon as reasonably practicable, and recommend that the timing of the adoption of this definition coincide with the Commission’s approval of AS No. 5. The attached Appendix provides comments to certain questions posed in the Release.

If you have any questions or would like to discuss our views further, please contact Robert Kueppers at (212) 492-4241, James Schnurr at (203) 761-3539, or John Fogarty at (203) 761-3227.

Sincerely,

/s/ Deloitte & Touche LLP

cc: Chairman Christopher Cox  
Commissioner Paul Atkins  
Commissioner Roel Campos  
Commissioner Annette Nazareth  
Commissioner Kathleen Casey  
Conrad Hewitt, Chief Accountant  
Zoe-Vonna Palmrose, Deputy Chief Accountant for Professional Practice

Mark W. Olson, Chairman of the PCAOB  
Kayla J. Gillan, Member  
Daniel L. Goelzer, Member  
Bill Gradison, Member  
Charles D. Niemeier, Member  
Thomas Ray, Chief Auditor and Director of Professional Standards

## APPENDIX

- **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 are supportive of the definition of significant deficiency proposed by the Commission and included in AS No. 5, and we do not believe it should contain a likelihood component or other specific criteria. We also believe it is important for this term to have a consistent definition within the rules of the Commission and the standards of the PCAOB. A common understanding as to the meaning of certain key terms is critical to successful implementation and compliance with the requirements of Section 404.

- **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?**

As previously stated, we support the Commission’s proposed definition of significant deficiency, which is consistent with the PCAOB’s definition in AS No. 5. We believe that the definition can be effectively applied in practice based on 1) the appropriate exercise of management and auditor judgment and 2) clear communication between management, auditors, and audit committees regarding what is viewed as important enough to merit attention. We do agree that due to the flexibility provided by the proposed definition, and the judgment that will be involved in determining what is considered a significant deficiency, there will be variation in practice. However, because significant deficiencies are not publicly reported, this variation will not be readily apparent to investors; although, it may be apparent to those who have an internal vantage point at several companies (including audit committee members). Still, as stated previously, we support the proposed definition as we believe it provides companies with appropriate flexibility to surface and focus on those issues they believe merit attention based on individual facts and circumstances. We do not believe the revised definition of significant deficiency creates any new costs or burdens that are of significance.

- **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 the definition of significant deficiency has a special impact on smaller public companies.