

February 10, 2007

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

Subject: File Number S7-24-06

Dear Ms. Morris:

I strongly believe that the goals of Section 404 of the Sarbanes Oxley Act of 2002 are credible and the Act was enacted for widely accepted reasons. Due to past financial failures by companies such as Enron and WorldCom, it is obvious that Internal Controls needed to be effective within public companies. By ensuring the effectiveness of Internal Controls, hopefully more reliable financial reporting would result. The Act aims to protect the interests of the public. However, the important question at hand is whether the costs of complying with Section 404 of Sarbanes Oxley outweigh the benefits it produces.

Allegedly, many companies have been affected by increased costs due to the testing and documentation of transactions and processes that are not at high risk for financial reporting failure. Under Section 404, transactions and processes are being treated by consultants and auditors as if they are all of equal importance. The materiality threshold needs to be tailored by PCAOB, along with their definition of "remote likelihood." By focusing on the types of transactions and processes with potentials for material risks, unneeded costs could be eliminated.

Aside from the expensive costs of hiring a qualified auditor to evaluate Internal Controls, companies have also been experiencing additional personnel costs related to Internal Controls. Complying with Section 404 of Sarbanes Oxley has proved to be a very extensive project for the audit committee, IT and other legal staff, executives, and other essential employees within the company. With the cost and time consumption of complying with Section 404, many companies are experiencing a delay in other company projects. These projects, some of which are geared toward new technologies, could be very profitable for a company. Many investors would rather see advancements in new technologies, making the company more profitable and competitive, than to spend money on evaluating Internal Controls, which is not directly benefiting them at this time.

For small capital companies, the cost of implementing and maintaining an effective system of Internal Control, thereby complying with Section 404 of Sarbanes Oxley, is currently at an extreme high. The Sarbanes Oxley Act has created a high demand for auditors and consultants. This has led to a huge price hike, which most small companies cannot afford because they do not have the profits to attract investors in the first place. Small and large companies do not have the same amount of resources to comply with the Act, and therefore, should not have the same requirements under the Act. To separate

small capital companies from large capital companies, not only should revenue be considered, but also the company's number of employees. Until some tweaks have been made to Section 404 concerning the extensive requirements, small capital companies should be excluded from compliance.

In conclusion, I believe that it is important that the SEC make changes concerning Section 404 of the Sarbanes Oxley Act of 2002. Section 404 should be revised to focus its testing and documentation on the processes and transactions that will pose the greatest risk for financial reporting failures. By making revisions, benefits could outweigh the costs incurred in complying with the Sarbanes Oxley Act of 2002. The original intent of the Act may be accomplished: investor confidence will be improved, an effective system of Internal Control could be developed, and the reliability of public companies' financial statements could be enhanced.

Sincerely,

Kimberly R. Holte
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