

Leon J. Level
Corporate Vice President

May 18, 2006

Mr. Christopher Cox, Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-9303

Re: File No. 4-511



FILED ELECTRONICALLY (rule-comments@sec.gov)

Dear Mr. Chairman:

We thank and commend the Commission and PCAOB for the May 10 Roundtable on internal control over financial reporting. The discussion was an exceptionally positive step toward obtaining constructive ideas from investors, issuers, auditors, regulators and others. I also appreciate the opportunity to serve as a panelist and the support received from your staffs throughout the day.

We are submitting this letter to offer further recommendations based on the Roundtable discussions as well as recently announced SEC plans to issue guidance for issuers and PCAOB plans to revise Auditing Standard No. 2 (AS No. 2). This letter amends and supplements our April 28, 2006 and previous letters.

At the Roundtable, we reviewed benefits, costs and implementation issues. Many suggestions were raised which could substantially reduce compliance costs without diminishing the effectiveness of these requirements. A number of these suggestions had been raised last year and addressed in the May 2005 SEC and PCAOB guidance.

One common theme concerns many aspects of the SEC and PCAOB guidance which were not effectively operationalized by auditors and issuers during the second year of 404. As a consequence, we wholeheartedly agree with the announced intention of the PCAOB to revise AS No. 2 to incorporate this guidance and otherwise enhance the efficiency, and reduce the cost, of these requirements. Although some think these regulatory requirements have lowered the cost of capital, the exodus of issuers from our U.S. capital markets raised during the fourth panel obviously contradicts this view and underscores the importance of balancing costs and benefits of these regulatory requirements.

We further think SEC plans to provide guidance to issuers could be very helpful, provided it streamlines rather than expands issuer assessment requirements. It is critical we streamline AS No. 2 since, as a rule, issuers will be compelled to scope

and execute their assessment in a manner largely consistent with the auditors' approach to identify any potential deficiencies prior to the independent audit. As a result, it is essential we streamline AS No. 2 to realize substantial reductions in issuer compliance costs. We also recommend the SEC consider a principles-based, rather than rules-based, approach in developing guidance for issuers. This approach would address the level of difficulty, as well as the costs, prospective issuers evaluate when considering participation in U.S. capital markets.

Re-evaluation of Auditing Standard No. 2

We understand the PCAOB plans to incorporate the previously issued guidance and consider further amendments, including revisiting the auditors' role, if any, in management's assessment; clarifying definitions of significant deficiency and material weakness; reconsidering "strong indicators of a material weakness"; encouraging increased auditor reliance on the work of management, clarifying materiality and scoping; emphasizing integration of audits of financial statements and controls; and allowing auditors to use experience gained in prior years' audits in determining their scope and extent of testing in subsequent years' audits.

In response to the issues identified by the Roundtable, we recommend the PCAOB consider the following suggestions (not necessarily in order of priority) in its re-evaluation of AS No. 2 to address the significant disparity between compliance costs and benefits:

- Require the auditor to issue only an attestation report on management's assessment of the effectiveness of the Company's internal control over financial reporting
 - Alternatively, eliminate the auditors' attestation on management's assessment and require them to issue an opinion on the effectiveness of internal control over financial reporting since the auditor's attestation on management's assertion would be redundant and would provide no further assurance than the opinion on the controls themselves
 - The SEC and PCAOB should collaborate and align AS No. 2 requirements and SEC requirements for management under 404
- Integrate the auditors' attestation on management's assessment or, alternatively, their opinion on internal control over financial reporting, with the auditors' opinion on the financial statements to clearly communicate the integrated nature of these audits to the users of financial statements
 - The scope paragraph of the auditors' report should address the integrated nature of the procedures, as well

- Further encourage a more “principles based” rather than “rules based” approach since a principles based approach will better enable auditors to achieve the Act’s original objectives in the most cost effective manner
 - For example, documentation and testing should be based on principles designed to encourage auditors to exercise their judgment to achieve the most effective implementation
- Focus on the control environment – tone at the top, entity and company level controls, ethical business practices, antifraud programs and controls over management override
- Use a risk based approach to determine scope and extent of testing, permitting auditors needed flexibility to exercise greater judgment
- Leverage tests of company level controls rather than detailed transaction controls for lower risk areas, even for significant processes; allow testing of significant process level transaction controls for medium and low risk business unit locations and account balances on a multi-year rotation basis
- Enable base lining of IT application controls by allowing rotational testing; refine criteria for applying base lining; currently base lining is precluded if there were any changes to the application, interfaces, tables or other related applications
 - This is a limitation which is impractical and clearly unnecessarily expensive since program changes are already subject to change control procedures tested as a part of IT general controls
- Expand areas where auditors are allowed to rely on the work of management and encourage them to place greater reliance on the work of Internal Audit and other independent personnel, provided such personnel meet competency and independence requirements under Statement on Auditing Standard No. 65
- Modify the definitions of material weakness and significant deficiency to focus on truly material or significant matters, respectively, and matters which are at least reasonably possible, if not likely, rather than nearly remote, and incorporate cost benefit criteria
- Apply commercially reasonable standards in evaluating remediation of deficiencies and significant deficiencies
- Provide clear and unequivocal assurance to auditors that their good faith judgments will be respected by the PCAOB

- Strongly reaffirm COSO principles which acknowledge controls may be quite effective despite the absence of documentary evidence of controls. COSO (page 73) states:
 - “Many controls are informal and undocumented, yet are regularly performed and highly effective. These controls may be tested in the same ways documented controls are. The fact controls are not documented does not mean that an internal control system is not effective or that it can not be evaluated.”
- Clarify the standard of diligence necessary to support management’s quarterly certifications under Section 302 of the Act regarding disclosure of changes which may have material effects on internal control over financial reporting. Potential clarifications include:
 - Modifying the quarterly requirements to focus solely on disclosure controls and procedures, the original focus of these requirements, and/or
 - Alternatively, providing a safe harbor for registrants provided they meet a minimum standard of diligence and allow, where appropriate, a “best of knowledge and belief” standard

We again thank the staffs of the Commission and Board for their efforts in hosting the Roundtable and for the opportunity to participate in the panel discussions. We remain committed to working with the Commission, the PCAOB, other issuers, investors and other interested parties on refinements and improvements which will enhance the effectiveness and significantly reduce the cost of these requirements.

We would be pleased to participate in any manner possible to assist the Commission and Board in refining these requirements, whether as a part of a task force, work session or implementation group. Thank you for considering our views. We would be pleased to discuss our recommendations and any questions you may have at your convenience.

Leon J. (Lee) Level
Corporate Vice President
Computer Sciences Corporation

cc:

The Honorable Cynthia Glassman, Commissioner, Securities & Exchange Commission
The Honorable Paul S. Atkins, Commissioner, Securities & Exchange Commission
The Honorable Roel C. Campos, Commissioner, Securities & Exchange Commission
The Honorable Annette L. Nazareth, Commissioner, Securities & Exchange Commission
Mr. Bill Gradison, Acting Chairman, Public Company Accounting Oversight Board

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Ms. Daniel L. Goelzer, Public Company Accounting Oversight Board Member

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