

September 18, 2006

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

Re: SEC File No. S7-11-06; Concept Release Concerning Management's Report

Thank you for the opportunity to provide responses to the questions posed in the Concept Release. We appreciate the Commission's efforts in obtaining public comment on suggestions to improve the existing guidance for management regarding its assessment of the effectiveness of internal control over financial reporting.

**Goals of Section 404**

Section 404 of the Sarbanes-Oxley Act (Section 404) was established as a result of a series of business failures beginning with Enron that was the result of fraudulent activity by senior executives of the companies. While we support the requirements of Section 404, we continue to believe it is not addressing the real cause behind the failures - fraud.

While we agree that having effective controls over financial reporting is very important, Section 404 testing of controls affecting significant accounts has overshadowed the more important and critical influences resulting in inaccurate financial statements. The goals of management and auditor testing should focus more on senior executive financial oversight, responsibilities, and abilities to manipulate results and financial disclosures.

We recommend the Commission consider analyzing whether Section 404 has addressed the interests of the shareholders. Does Section 404 effectively address the prevention of fraudulent behavior of senior executives?

To that end, we offer the following:

**Multiple Location Guidance**

We recommend the Commission issue further guidance for multiple location companies. Our experience has been the accounting firms are using their own interpretations of "large portion." At best, there appears to be inconsistency among the accounting firms and at worst, over auditing. We recommend the Commission to define "large portion."

Once "large portion" testing has been met by management, further guidance of the testing required for the remaining locations should be made available to management and auditors. Euronet Worldwide has 25 offices worldwide. As suggested in Appendix B of Auditing Standard No. 2, a small number of locations represent a "large portion" of our

operations and financial position. However, our accounting firm has taken a conservative approach to the guidance relating to locations with specific risks. The accounting firms appear to be adopting very conservative practices in scoping in all accounts greater than a predetermined materiality threshold instead of using a combination of quantitative and qualitative factors. As a result, management and the auditors' coverage is approximately 80% to 90% of the financial statements, with company level controls covering the remaining balances.

By providing further guidance on "large portion" and the testing of remaining locations with specific risks, this will allow for more consistency among accounting firms and management testing.

### **Integrated Audits**

We encourage the Commission to issue further guidance on how the auditing firms can more potentially integrate their financial audit with the audit of internal control. Since our compliance with Section 404, we have seen very little reliance by the accounting firm on control testing for purposes of performing the financial statement audit.

We appreciate the opportunity to respond. Please feel free to contact me with any questions.