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September 18, 2006

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

RE: File Number S7-11-06: Concept Release Concerning Management's Reports on Internal Control Over Financial Reporting

Dear Ms. Morris:

We appreciate the opportunity to provide our comments to the Securities and Exchange Commission (the "SEC") on the proposals outlined in Release No. 34-54122, "Concept Release Concerning Management's Reports on Internal Control Over Financial Reporting."

We believe that many benefits have been realized from the implementation of Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). At JCPenney, we take our responsibility very seriously in regards to maintaining effective internal controls over financial reporting. In order to effectively implement Section 404, the Company dedicated significant internal resources to ensure that both its internal controls and the related documentation were sufficient and to test the effectiveness of identified key controls. While we have made several improvements to our processes, related controls and systems, we continue to focus on further tightening our internal control structure as we complete our third year of carrying out the Section 404 requirements, demonstrating a commitment to maintaining the highest standards of ethics, corporate governance and continuously improving the transparency of our financial reporting.

We commend the SEC for your commitment to helping management of companies evaluate and assess their internal controls over financial reporting, and comply with the requirements of Section 404. The SEC Concept Release provides some thought provoking questions which we respond to below.

We believe that any additional guidance issued should focus on the following areas:

- Defining and providing examples of what is meant by a top-down risk based approach and reinforcing this concept in the PCAOB's reviews of Audit Firms would provide important assistance to companies in their compliance efforts.
- Defining the scope for identifying key controls that impact Financial Reporting is necessary to providing a framework that will reinforce the intent and spirit of the act while providing efficiency and effectiveness. Much of the focus to date seems to be on transactional controls

which should be of secondary importance. We believe that the primary scope of Section 404 should cover the General Business Control Environment, Financial Reporting Controls and Information Technology controls. Transactional controls are already reviewed as a part of financial statement audits designed to protect stockholders.

- It is important to pursue a risk based approach in Information Technology (IT) and thus avoid imposition of an excessive burden on businesses, small and large. This area has a unique potential to require large amounts of detail in order to demonstrate compliance. Consideration should be given to permitting cycle based examinations. For example testing of individual controls could be rotated every three years, as long as the environment has not experienced material changes or been a source of a deficiency.
- In general, guidance on the amount and extent of testing and supporting documentation required by management is needed if companies are to establish compliance with Section 404 in a reasonable and cost-effective manner.
- Guidance needs to be incorporated into PCAOB Audit Standard 2 (AS2) if we are to harness the benefits of some of the already existing guidance.

Again, thank you for the chance to share our thoughts on this important issue. We would be pleased to discuss our comments in greater detail if requested.

Respectfully,

Robert B. Cavanaugh

Executive Vice President and Chief Financial Officer
J. C. Penney Company, Inc.