

The International Association of Small Broker Dealers and Advisors

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Re: File No.S7-11-06-Concept Release on Management's Reports on Internal Control Over Financial Reporting.

The International Association of Small Broker-Dealers and Advisors submits the following comments on the above referenced release. First the association believes that the application of the audit requirements to small firms should be postponed until the Commission can find a way to relieve the costs involved which the release acknowledges are substantial and may be unnecessary. Secondly the commission should consider seriously the NYSE's suggestion that the auditor's opinion on management's assessment should be optional with the decision left up to the audit committee. The association suggests this is especially wise if the company has not had a material restatement. See NYSE letter dated June 20,2006. Third the commission should consider alternatives to the auditor's liability concerns, which are a major source of auditor costs. One solution might be the formation of an association where auditors' costs could be spread amongst a large number of issuers that were willing to fund a permanent staff of auditors similar to the self-regulatory organizations. The SRO'S essentially audit the internal controls of broker-dealers and are supported by the fees of those brokers. Such an association could also serve an educational function for its members in teaching them how to economically prepare their assessments/. As those members move on from small company status they would then be required to use independent auditors. Fourth, there is almost a universal belief that the SEC / PCAOB / COSO and other entities need to provide more guidance to management. Currently guidance is over weighted on helping Auditors address SOX compliance and there is almost no focus on regulators helping management address compliance.

See <http://www.cfo.com/guides/guide.cfm/6822144> and http://www5.cfo.com/article.cfm/6910828/c_6822144 for articles about this area and management needing guidance. This guidance could come from the voluntary association mentioned in point 3. Finally, we believe that the SEC ought to maintain its Regulation SB regime for small business issuers as part of its overall commitment to small business.

The most important judgment the commission has to make is when to apply the audit requirement to small companies so that it does not destroy them before a solution to costs is found. There is no urgency here especially for companies that have never had a restatement. All deliberate speed is important but a sound model for compliance is vital