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Ms. Nancy M. Morris  
Secretary  
Securities & Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0601

RE: File No. S7-11-06

Dear Ms. Morris:

These comments respond to the Commission's request in its Concept Release No. 34-54122 on the development of additional guidance for management regarding its evaluation and assessment of internal control over financial reporting.

The Commission has wisely published this Concept Release to obtain public feedback on issues that have remained unsettled - even controversial - since the Commission adopted rules in 2003 implementing Section 404 of the Sarbanes-Oxley Act. The adoption of these rules was followed by the PCAOB adopting Auditing Standard No. 2 describing the public auditor's attestation to and reporting on management's assessment. While well drafted, this auditing standard sets forth in extreme detail how the external auditor should assess internal controls. The manner in which the PCAOB described the audit of internal controls encouraged the accounting profession to make an extremely detailed audit of those controls and it made little or no attempt to impose upon the auditor his or her professional judgment in making that assessment. Auditing Standard No. 2 had the unfortunate effect of producing enormous paper documentation of all controls, both significant and insignificant, and at all levels of the risk spectrum. There were some commentators on the standards, including myself, who had warned that it could produce indiscriminate analyses of internal controls without focusing on those controls where there are material risks. In my view, much of the commotion surrounding internal control assessments can be traced back to the failure of the PCAOB to use

its judgment in making a topdown determination of what is important in the auditor's report.

Where the Commission could be most helpful in providing guidance to management of all public companies is to state that both management's assessment and the auditor's assessment of what management has done is to focus upon risk. Management should in its assessment evaluate where are the major risks and insure that there are internal controls in place to manage those risks and the auditor's job should be to make sure that management has done just that.

It strikes me that it is now the job of the Commission in publishing such guidance to insure that we get back to the original purpose of having a management assessment of internal controls by emphasizing where management should devote its primary efforts.

Very truly yours,



Ralph S. Saul