



Deloitte & Touche LLP
695 East Main Street
Stamford, CT 06901-2141
USA

www.deloitte.com

August 23, 2016

Mr. Brent Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

File Reference No. S7-12-16

Re: SEC Release No. 33-10107; 34-78168; *Amendments to Smaller Reporting Company Definition*

Dear Mr. Fields:

Deloitte & Touche LLP (D&T) is pleased to respond to the request for comment from the Securities and Exchange Commission (the SEC or the Commission) on the *Amendments to Smaller Reporting Company Definition* (the release), and, more specifically, the application of Section 404(b) of the Sarbanes-Oxley Act of 2002 (Section 404(b)) regarding the auditor's attestation of internal control over financial reporting (ICFR).

We support the Commission's decision, as described in the release, to maintain the current public float threshold requirements with respect to the application of Section 404(b) such that it would continue to apply to companies with public floats between \$75 million and \$250 million. That decision is consistent with the SEC's study on the applicability of Section 404(b) conducted in 2011, which concluded, in part, that 1) "there is strong evidence that the auditor's role in auditing the effectiveness of ICFR improves the reliability of internal control disclosures and financial reporting overall and is useful to investors," and 2) there is no "specific evidence that potential savings [in costs from exempting registrants with public floats between \$75 million and \$250 million from 404(b)] would justify the loss of investor protections and benefits..."¹ Further, the United States Government Accountability Office (GAO) in a related study concluded that 1) "auditor attestation under 404(b) appears to have a positive impact on investor confidence," and 2) "companies (both exempt and nonexempt) that obtained an auditor attestation generally had fewer financial statement restatements than those that did not."² Additional studies referenced in the release support the Commission's decision.³

We agree with the SEC and the GAO and believe investors have greatly benefited from management reporting about the effectiveness of ICFR and the related requirement for an auditor's attestation report on ICFR. We do not believe it would be prudent to roll back existing internal control reporting requirements for a population of issuers that are currently complying with 404(b). We do support ongoing dialogue among the SEC, PCAOB, issuers, and auditors regarding continuous improvement efforts with respect to management's assessment and the auditor's attestation of ICFR.

¹ *SEC Study and Recommendations on Section 404(b) of the Sarbanes-Oxley Act of 2002 For Issuers with Public Float Between \$75 and \$250 Million*, April 2011, p. 8.

² GAO Report to Congressional Committees, *Internal Controls, SEC Should Consider Requiring Companies to Disclose Whether They Obtained an Auditor Attestation*, July 2013, p. 37.

³ See Section III.C. in the release.

D&T appreciates the opportunity to provide our perspectives on the release. If you have any questions or would like to discuss our views further, please contact Dave Sullivan at [REDACTED].

Very truly yours,

A handwritten signature in cursive script that reads "Deloitte & Touche LLP". The signature is written in dark ink on a white background.

Deloitte & Touche LLP

cc: Mary Jo White, SEC Chairman
Kara M. Stein, SEC Commissioner
Michael S. Piwowar, SEC Commissioner
James V. Schnurr, SEC Chief Accountant
Wesley R. Bricker, SEC Interim Chief Accountant