



SOCIETY OF CORPORATE SECRETARIES & GOVERNANCE PROFESSIONALS

via e-mail to:rule-comments@sec.gov

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

**Re: File No. S7-24-06
Management's Report on Internal Control Over Financial Reporting**

Ladies and Gentlemen:

The Society of Corporate Secretaries & Governance Professionals is a professional association, founded in 1946, with over 4,000 members who serve more than 3,000 issuers. Responsibilities of our members include supporting the work of corporate boards of directors, their committees and executive management regarding corporate governance and disclosure. Our members ensure issuer compliance with the securities laws and regulations, corporate law, stock exchange listing requirements and the accounting rules, and have been on the front-line in implementing the structural changes necessitated by the Sarbanes-Oxley Act of 2002 and the related rules of the Securities and Exchange Commission, the Public Company Accounting Oversight Board and the exchanges. The majority of Society members are attorneys, although our members also include accountants and other non-attorney governance professionals.

We commend the significant efforts by the Commission to provide guidance to management to enhance management's ability to conduct an efficient and effective assessment of internal control over financial reporting. We generally support the measures proposed by the Commission in its Proposing Release, as discussed below. Our comments also include certain recommendations for further

refinement of the guidance in order to achieve the goals articulated by the Commission in the Proposing Release.

We support the Commission's approach of issuing guidance rather than a rule, because we believe that approach will permit more flexibility to management and will provide the latitude for the Commission to provide additional guidance in the future as needed. In general, we think the proposed guidance will assist management in carrying out an efficient assessment of internal controls, while reducing the burdens that many companies may have experienced to date.

We believe that the previous guidance issued by the Staff continues to be relevant and should be specifically incorporated into the currently proposed guidance, as well as into the new revised auditing standard (which we refer to as AS-5) proposed by the PCAOB. This would encourage the independent public accounting firms to move forward in adopting the risk-based approach advocated in the guidance. It is the experience of our members that the audit firms have not yet migrated to this approach and have instead continued to base their procedures on standard programs focused heavily on routine, transactional controls. Further, we believe that the auditors have not made sufficient progress in relying on management's oversight and self-assessments. Consolidating the existing guidance with the new guidance will help to codify these recommendations, ensure consistent application and remove any ambiguity about the status of the previous guidance. Further, to avoid confusion it is important that the new guidance be consistent with PCAOB standards, including AS-5 and we are strongly recommending, in a concurrent comment letter to the PCAOB, that AS-5 include specific reference to, and incorporate, the new SEC guidance.

We also request that, in order to avoid unnecessary changes to evaluation processes that companies have already established, the Commission make a very clear statement in the guidance that a company is not required to implement any changes as a result of the guidance and, rather, should make only those changes to established procedures that it determines are necessary to refine its processes. We believe that this

will allow management and the audit firms to focus on those areas of greatest risk to each specific company.

Finally, it is essential that there be sufficient clarity and consistency in the definitions used in the proposed guidance and AS-5, especially the definition of “reasonable possibility” and the application of this standard for determining the likelihood of error. It is also important that interpretations used by the SEC and the Board be consistent with the existing accounting literature in order to avoid confusion.

We appreciate this opportunity to share our views with you, and would be happy to provide you with further information to the extent you would find it useful.

Respectfully submitted,

The Society of Corporate Secretaries and Governance Professionals

By: Claire G. Keyles

cc: Lydia Beebe, Society Chairman-Elect
William Mostyn, Society Chairman
David W. Smith, Society President
Neila Radin, Securities Law Committee Chair
Stacey K. Geer, PCAOB Subcommittee Chair