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July 12, 2007

Ms. Nancy Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090

RE: File Number S7-24-06, *Definition of a Significant Deficiency*

Dear Ms. Morris:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the Securities and Exchange Commission's (the "Commission" or "SEC") request for additional comment on the definition of the term significant deficiency.

We support the Commission's proposal to amend Exchange Act Rule 12b-2 and Rule 1-02 of Regulation S-X to define the term significant deficiency and do not object to the Commission's proposed definition included therein. Specifically, we support the focus on matters that are important enough to merit attention by those responsible for oversight of a registrant's financial reporting and believe it will permit management to exercise sufficient and appropriate judgment to determine the deficiencies that should be communicated to audit committees and auditors. Further, since the Commission's guidance for management and the PCAOB's auditing standard clearly indicate that the evaluation of internal control over financial reporting should be focused on identifying only material weaknesses, we do not believe that the definition of significant deficiency will inappropriately influence the scope of the evaluation.

We believe, however, that the addition of the likelihood component "reasonable possibility" to the definition of significant deficiency would enhance management's ability to identify those deficiencies that should be communicated to the audit committee and the auditor and align the definition of significant deficiency with the definition of material weakness without detracting from management's opportunity to exercise appropriate judgment or establishing "bright lines." While not necessary, we believe that this minor change in the definition will contribute to the Commission's goal to make the evaluation process more efficient and effective. Because we believe it is important that the definition in the Commission's rules and the auditing standards be aligned, any revisions to the final definition of significant deficiency should be reflected in both the Commission's rules and the Public Company Accounting Oversight Board's ("PCAOB") auditing standard.

In the Appendix to this letter, we have included our responses to the Commission's specific questions.

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We would be pleased to discuss our comments and to answer any questions that the SEC staff or the Commission may have. Please contact Vincent Colman (973-236-5390) or Jorge Milo (973-236-4300) regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP

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APPENDIX

Request for Additional Comments: Definition of a Significant Deficiency

1. **Would the definition of a "significant deficiency" facilitate more effective and efficient certification of quarterly and annual reports if it were defined as discussed above?**

   We believe that the proposed definition of significant deficiency will contribute to effective and efficient certification by management of quarterly and annual reports. As indicated in our cover letter, while we believe that the proposed definition will provide appropriate guidance for management to identify and communicate significant deficiencies to the audit committee and the auditor, we also support the addition of a likelihood component to the definition. We believe that the emphasis on items that are "less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a registrant's financial reporting" appropriately focuses management on deficiencies that approach a material weakness rather than on items that are only slightly more than inconsequential to the financial statements.

2. **Conversely, should the definition of "significant deficiency" include a likelihood component or other specific criteria? If so, should we align such a definition with the PCAOB's auditing standard, and how?**

   As indicated in our cover letter, we believe that the definition of significant deficiency should include a likelihood component. While it is not *necessary* to explicitly include a likelihood component, we believe that it would (1) facilitate a more effective and efficient process without establishing prescriptive requirements or rigid thresholds and (2) ensure that management focuses on those deficiencies that have a reasonable possibility of becoming a material weakness rather than on those deficiencies that represent a remote possibility of becoming a material weakness.

   We also support alignment between the definition of significant deficiency in the Commission's rules and the definition used in the PCAOB's Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements* ("AS 5"). The most effective and efficient Section 404 process results from a coordinated approach between management's assessment and the audit of internal control over financial reporting. Use of the same definitions of key terms improves efficiency and reduces the confusion that could result from using different definitions. Accordingly, we believe it is important that the final definitions of significant deficiency included in the Commission's rules and AS 5 continue to be aligned.

3. **We do not anticipate that the definition will impact the amount of time it takes for management to evaluate whether identified deficiencies are significant deficiencies, nor do we anticipate that this definition will affect any existing collection of information. However, are there any additional costs or burdens involved in evaluating whether identified deficiencies meet the definition of significant deficiency? If so, what are the types of costs, and the anticipated amounts? In what way can the definition be further modified to mitigate such costs while still appropriately describing deficiencies that should be disclosed to audit committees and auditors?**

   We do not anticipate that the definition of significant deficiency will impact the amount of time it takes for management to evaluate whether identified deficiencies are significant deficiencies.

4. **We believe one of the benefits of the definition is that it focuses on the desired result of identifying matters that are important enough to merit attention, which will allow management to use sufficient and appropriate judgment to determine the deficiencies that should be reported to the auditor and the audit committee while allowing management to use its judgment to determine what those matters are. Are there additional potential benefits we have not considered? Additionally, a potential consequence of the definition is that, due to the flexibility provided in the definition, there may be less comparability among companies in terms of what management determines is a significant deficiency. Is this accurate? Are there other potential costs or burdens? How should we mitigate such costs or burdens?**

   We agree that one of the benefits of the proposed definition is the focus on identifying matters that are important enough to merit attention by those responsible for oversight of a registrant's financial reporting. In light of the fact that companies do not generally report significant deficiencies in the annual certification, some variability in the nature of items reported to audit committees and auditors would be acceptable based on the specific facts and circumstances of individual registrants.

   Finally, we are not aware of any additional costs or burdens resulting from the proposed definition.

5. **Is there any special impact of the definition of significant deficiency on smaller public companies? If so, what is that impact and how should we address it?**

   We believe that the definition of significant deficiency is sufficiently scalable to the size and complexity of a company. Accordingly, we do not believe that there is any special impact of the definition of significant deficiency on smaller public companies.