

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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C. THOMAS KEEGEL
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February 22, 2007

Via Email: rule-comments@sec.gov
Via U.S. Postal Service

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

Re: File Number S7-24-06

Dear Secretary Morris

Teamster-Affiliated Pension and Benefit funds hold roughly \$100 billion in equity assets representing the retirement security of roughly 1.4 million active and 600,000 retired members of the International Brotherhood of Teamsters (IBT). On their behalf, I am pleased to comment in regard to the Security and Exchange Commission's (SEC) proposed interpretive guidance, *Management's Report on Internal Control Over Financial Reporting* ("Proposal").

As investors, we expect the SEC to uphold the rights of investors and facilitate increased corporate accountability. In our view, Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404") has been a critical component of restoring investor confidence and the overall integrity of our capital markets in the wake of the Enron and WorldCom scandals. Although effective internal controls have long been required of public companies under the Foreign Corrupt Practices Act of 1977, Section 404 has reinforced this basis of high-quality financial reports. We believe that public companies of all sizes must have appropriate controls in place and that management should be responsible for assessing those controls with a thorough review by external auditors.

Glass Lewis & Co., a leading research and professional services firm that assists institutions with investment, financial or reputational exposure to public companies, has found that the scrutiny of internal controls under Section 404, "is what

uncovered the weaknesses at the heart of the current rash of financial misstatements.”¹ Indeed, Glass Lewis research analysts warn that, “The smallest companies are where strong internals control arguably are needed most, because they are where the risk of restatement is highest.”² David Reilly, of the Wall Street Journal, has also reported that the number of restatements by public companies, that have not adopted Section 404 yet, increased by 42 percent in 2006.³

Teamster members and retirees, through their benefit funds and individual accounts, have significant equity holdings in the Russell 3000 stock index. Consequently, management’s review and report on internal controls of financial reporting at smaller public companies, which currently lack oversight, is as important to our members as the checks and balances already provided by Section 404 at larger public companies.

We, therefore, support the prompt adoption of and implementation of the Proposal, which, we respectfully request, will have a rigorous evaluation method and process, as a final rule. We would also respectfully request that the final rule clarify that management should evaluate the size and complexity of their company when determining whether their company is a “smaller public company” in implementing the interpretive guidance.

If we can be of further assistance please do not hesitate to contact Noa Oren, Projects Manager, Teamsters Capital Strategies Department, at (202) 624-8990 or noren@teamster.org. Thank you for the opportunity to present our views on this important matter.

Sincerely,



James P. Hoffa
General President

JPH/lm

¹ Glass Lewis & Co., *Getting It Wrong the First Time: A look at 2005’s record-breaking year for corporate restatements shows why investors can’t afford a return to pre-Enron securities regulation*, March 2, 2006.

² Ibid

³ David Reilly, Restatements Still Bedevil Firms, Wall Street Journal, February 12, 2007, p. C7.