

Follow up.

Management letters should absolutely be put back in place as a best practice from the audit firm to the company, listing areas of concern and improvement. Audit firms in Silicon Valley have moved away from this completely.

The effect would put teeth back in this integral dynamic of audit and investor confidence, by documenting (that can be used in discovery) areas to which the public entity must address, and that the audit firm cannot use "plausible deniability" when misfeasance or malfeasance occurs.

Washington must get their ass in the grass with the rest of us who are seeing scandal up close and personal.

From: Timothy Michael Kral
To: rule-comments@sec.gov
Subject: Whistleblower response
Date: Tue, 14 Dec 2010 22:22:02 +0000

I have been called to four days of deposition in a fraud case. I worked in an internal investigation over stock option backdating that resulted in close to a billion dollars of payouts to board and executives resulting from the knowing falsification of board documents by the CEO. The board knew what was going on, but their remuneration was in the form of stock options as well.

I have been vilified, stabbed in the back and tossed out on my butt because the board (the so called last line of defense for the shareholder) actively pursued a course of action to terminate people who knew what was actually going on, getting the restatement completed without any questions, and keep the company traded on the Nasdaq. The audit committee itself was being paid in stock options! How can a board be independent if their compensation is linked to

With all due respect, whistleblowers (including directors of internal audit) are put through a meat grinder because the so called best and brightest on the boards are independent in name only. When D&O pays for most of the negotiated disgorgement there is little incentive to management and the board to come clean (made \$90M and paid \$5M in disgorgement). The SEC must put the board and the independent audit firms on the hook or in ten years we'll go through another round of scandal and reaction.

I remain skeptical.