Leon J. Level
Vice President and Chief Financial Officer

March 7, 2005

Mr. William H. Donaldson, Chairman
U.S. Securities and Exchange Commission
450 Fifth Street N.W.
Washington, D.C. 20549-0609

CSC

Re: File No. 4-497

**FILED ELECTRONICALLY (rule-comments@sec.gov)**

Dear Mr. Donaldson:

We are encouraged by the willingness of the Commission and PCAOB to solicit feedback regarding the implementation of Section 404 of the Sarbanes-Oxley Act (the "Act") relating to internal control over financial reporting. We are also encouraged by your recent statements and those of a number of the Commission staff indicating the Commission's interest in better understanding the concerns of America's business community.

The unforeseen and rising direct and indirect costs companies face in reporting on internal control over financial reporting is a matter of great importance to the U.S. economy, capital markets, investors and overall business climate. Current requirements extend well beyond the Act's stated objective, "to protect investors by improving the accuracy and reliability of corporate disclosures." The resulting costs are wholly disproportionate to the benefits, as U.S. public companies are burdened with costs and distractions of overreaching rules. Layers of implementers have lost sight of the original goals responding to the Enron and WorldCom situations. We are confident some relatively simple refinements would streamline certain rules and greatly reduce the implementation cost, without diminishing the Act's effectiveness.

The past few years have been marked by unprecedented changes in the regulatory environment of our capital markets. In large part, these changes are the result of the Act, which is without question the most sweeping legislation to affect our securities laws since the 1930's establishment of the fundamental regulatory framework for our securities markets and the Securities Exchange Commission. The Act has certainly drawn attention to a number of areas: corporate governance, ethical business practices, codes of conduct, financial reporting and disclosure practices, auditor independence, and enhanced internal controls -- particularly for smaller public companies.

CSC has actively supported the efforts of the President, Congress, New York Stock Exchange and Securities and Exchange Commission to enhance investor confidence in (1) corporate governance, (2) the integrity of our financial reporting system and, ultimately, (3) the capital markets. There is no question effective internal controls over financial reporting are important to the integrity of financial reporting and disclosure. However, over-interpretation and over-engineered implementation of Section 404 of the Act are resulting in excessive, unnecessary costs.

While self-assessment and external audits of internal controls may help improve investor confidence, balancing the benefit of each measure with its cost is important. The costs of compliance with Section 404, as implemented, have been vastly underestimated. In a recent study, A.R.C. Morgan estimates average 404 compliance costs will be $3.0 to $3.2 million per $1 billion of revenue based on recent public company SEC filings. Another study suggests such costs will average approximately $35 million per registrant, over seven times the year-ago estimate (see Note 1).

As CSC tallies its rising compliance costs, we continue to find costs not contemplated by the original legislation. For example, our clients have requested new and expanded data center audits under SAS 70, with costs in the millions of dollars to assist in their own Section 404 compliance for IT systems and services performed by CSC. These SAS 70 audit fees have more than tripled due to the greatly increased number of client requests for these audits. CSC is also adding certified information systems auditors to support the evaluation of our IT general controls for the compliance efforts of both ourselves and our clients.

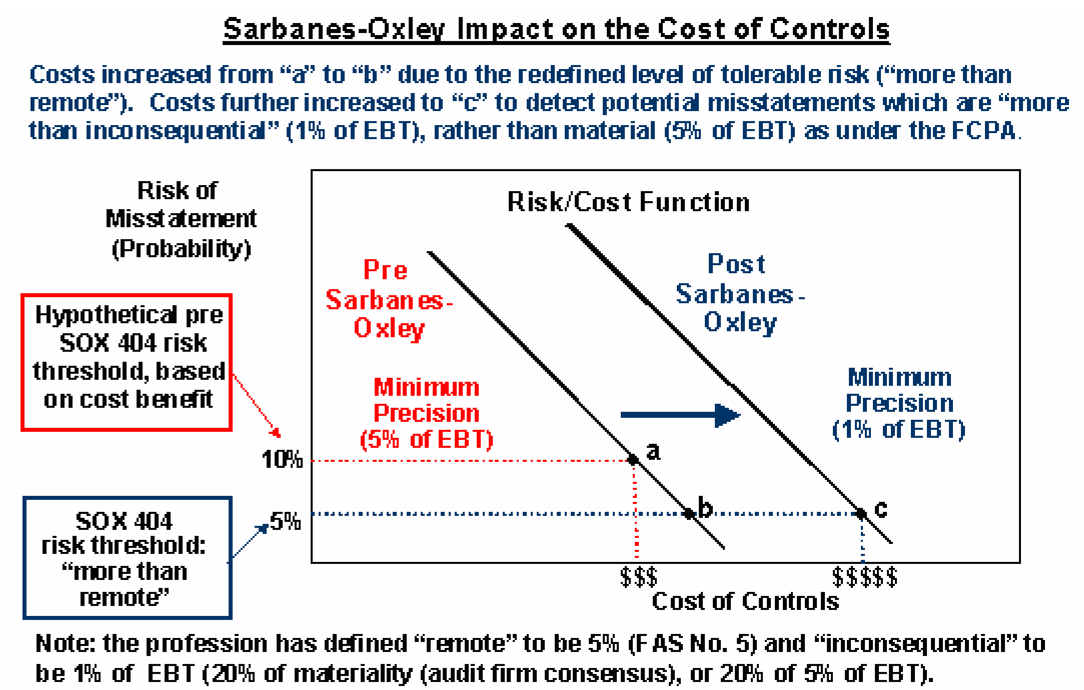
Obviously, costs of this magnitude adversely impede the competitiveness of U.S. businesses and impose a drag on our economy. Some companies have, in fact, de-listed their securities, delayed offerings, or turned to capital markets outside of the U.S. Immediate and decisive action by the SEC and PCAOB is critically important. Fortunately, a few relatively simple refinements could dramatically reduce these costs without any reduction in the efficacy of the Act. The necessary refinements can be accomplished by amending the implementing legislation and related PCAOB auditing standards. Here are several examples:

**Definition of Significant Deficiency**

The PCAOB standards establish reporting requirements for material weaknesses and significant deficiencies. They effectively require companies to remediate any and all significant deficiencies, using low thresholds involving more than a "remote" probability of a more than "inconsequential" misstatement. This makes it difficult to distinguish more significant deficiencies from matters of far less importance. Moreover, the definition encompasses potential control deficiencies and misstatements which although possible are, in fact, neither likely nor significant. In fact, this overly broad reporting requirement has delayed attaining more important objectives of the legislation. In describing the Act to Congress in July 2002, Congressman Oxley envisioned, "Investors will now get better information and will get it faster." Quite to the contrary, the mounting compliance burden has caused the SEC to delay the planned acceleration of reporting deadlines.

As a result of the overly broad definition of significant deficiencies, the cost of implementing, maintaining, monitoring, evaluating and reporting on internal controls has fundamentally increased in two ways. First, Section 404 has brought about a material adverse shift in the financial reporting cost-benefit relationship by essentially requiring companies to detect misstatements in excess of "inconsequential amounts". The profession has defined "inconsequential" to be 20% of materiality, or 20% of 5% of EBT, or 1% of EBT. Second, the risk threshold has been set at deficiencies where potential misstatements are more likely than "remote". Under FAS No. 5, "Accounting for Contingencies," remote had been defined by the profession as a probability greater than 5%. (see Note 2).

The following chart illustrates this definition's impact on the cost of controls.




The above chart shows the cause of the dramatic increase in cost of controls resulting from one SEC requirement, i.e., the definition of "significant deficiency." This definition is added to many other layers of requirements, creating unrealistic expectations among investors, auditors, regulators and lawyers. Section 404 of the Act requires management to establish and maintain "an adequate internal control structure and procedures for financial reporting." Instead of an "adequate internal control structure," current expectations are rushing toward complex structures more concerned with documentation and nearly inconsequential amounts with a nearly remote chance of occurrence. As illustrated below, current expectations demand increasing precision of financial reporting.

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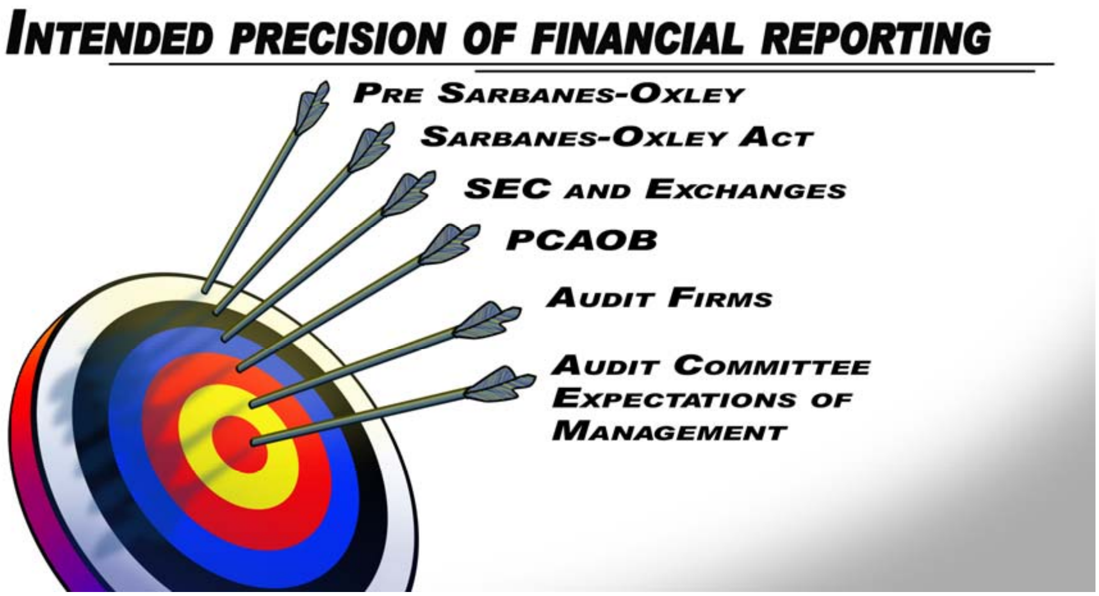


Our regulatory framework is requiring U.S. public companies to "hit the bulls-eye" without regard to the cost of detecting less-than-significant adjustments and/or control deficiencies. Taken together, these parameters effectively require companies to design, implement and annually test, remediate, re-test and evaluate controls where there may be little or no cost-benefit justification. Resolution of this issue alone, through a less onerous definition, would substantially reduce compliance costs, while improving the timeliness of investor information.

**Increased Reliance on Work of Internal Audit**

The scope of the auditor's work under the PCAOB auditing standard is unnecessarily broad as it (1) mandates certain controls be evaluated directly by the independent auditor and (2) restricts the extent of reliance the auditor may place on procedures performed by management, internal audit, or others. In principle, the auditor should be able to place reliance on the work of others after considering their competence, objectivity and independence and performing tests to corroborate the results.

Furthermore, as audit firms are forced to test an unreasonable number of controls under the above definition without assistance of the company's internal audit or other personnel, they may run short of resources to fulfill the Act's requirements, especially for their smaller, lower fee clients. This situation is further inflating the cost of audit services and seriously impairing the ability of smaller public companies to comply timely with the Act's requirements.

**Reliance on Work Performed in Prior Years**

The auditor should be able to place reliance on work performed in prior years where such work is still relevant. For example, if application program controls are tested during implementation of a new system, it would only seem necessary to test changes in subsequent periods, assuming the auditor has satisfactorily tested IT general controls (including program change controls). This approach is referred to as "baselining" application controls and is a long established, widely accepted practice in use in audits of service providers under Statement on Auditing Standards No. 70 ("SAS 70 audits"), as well as audits of IT controls in conjunction with audits of financial statements.

**Documentary Evidence**

Another area of potential improvement relates to emerging requirements of independent auditors for documentary evidence of controls. Essentially, the audit profession has taken the position, in the absence of documentary evidence, controls must be presumed to be ineffective. This is a significant 404 compliance issue for most companies and will increase costs if reasonable standards are not adopted. For example, the absence of supervisory sign-off on an account reconciliation may be deemed a significant deficiency, even though the supervisory review had, in fact, been performed and, therefore, the control was operating effectively.

**Arduous Extensive Year-end Testing**

The Act requires companies and their independent auditors to report on the effectiveness of the system of controls as of the last day of the fiscal year. In interpreting this requirement, the PCAOB audit standard requires substantial testing of all key areas as of the end of the fiscal year, rather than permitting more extensive reliance on interim tests. There is a long history within the auditing profession which supports interim testing. The year-end requirement not only significantly increases the cost of compliance, due to duplication of interim and year end testing, it also poses a costly, substantial logistical challenge for many companies and their auditors.

**Duplicate Cost of Multiple Opinions**

After a public company's management completes its assessment of internal controls over financial reporting, management is required to publish its assessment. In addition, the external auditor is required to publish three opinions, i.e., the conventional financial statement opinion along with two new opinions covering management's assessment and the auditor's attestation regarding internal controls. These duplicative requirements add unnecessary cost which may well be streamlined into a result better tailored to the needs of financial statement readers.

**Impractical Limitations On External Auditor Guidance**

The Act has precluded audit firms from giving any guidance to their clients or forming any part of client internal controls. In an over-interpretation of rules seeking to preserve auditor independence, the current situation has audit firms advising clients not to seek any guidance from them on accounting treatments. If the firm later disagrees with the client treatment, any resulting adjustment can be interpreted as a deficiency or even a material weakness. The unintended result of the Act is to render the considerable expertise of U.S. audit firms unusable to their clients. This problem has expanded to now preclude audit firms from advising other firms' clients, as we have experienced firsthand.

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**Next Steps**

In view of the overwhelming costs and burden on our businesses and economy, it is important the Commission and PCAOB take concerted action to prevent the potential long-term erosion of U.S. capital markets and competitive position. Let us not lose sight of the original intent when the Sarbanes-Oxley Act was created. On July 25, 2002, Mr. Oxley presented the bill to Congress, with the warning, "We act with the assurance that Congress must do something, yet remain acutely aware of the dangers of overreacting to a genuine problem and making matters worse… Government must be careful not to overreach and stifle the entrepreneurial spirit that has made the United States the most successful economy in the history of the world."

Thank you for your consideration of our views. We would be pleased to discuss at your convenience our concerns and recommendations and any questions you may have. We are also considering attending the roundtable discussion the Commission has scheduled for April 13, 2005 and could discuss our views and suggestions in greater detail at that time.

Sincerely,

Leon J. Level

cc:

The Honorable Paul S. Atkins, Commissioner, Securities & Exchange Commission

The Honorable Roel C. Campos, Commissioner, Securities & Exchange Commission

The Honorable Cynthia A. Glassman, Commissioner, Securities & Exchange Commission

The Honorable Harvey J. Goldschmid, Commissioner, Securities & Exchange Commission

Mr. Jonathan G. Katz, Secretary, Securities & Exchange Commission

Mr. William J. McDonough, Chairman, Public Company Accounting Oversight Board

**Notes:**

**(1)** A study by AMR Research indicated 404 compliance costs may approximate $1 million for every $1 billion of revenue. Surveys compiled by the Committee for Corporate Reporting (CCR) of Financial Executives International (FEI) indicated cost estimates for companies with revenues greater than $5 billion increased from $4.6 million in January 2004 to over $8 million in June 2004. A September 2004 survey by the Roundtable on Internal Controls of the Corporate Executives Board reported expected average costs of $14.1 million (exclusive of audit fees) for companies with revenues greater than $8 billion. For these same companies, 404 audit fees are projected to be 48.7% of annual financial statement audit fees. This burden is even more significant for companies with revenues less than $8 billion where 404 audit fees are projected at 63.9% of annual financial statement audit fees.

**(2)** Prior to 404, the Foreign Corrupt Practices Act (FCPA) required public companies to establish controls to prevent misappropriation of assets and misstatement of financial statements in amounts which would be material. In practice, material amounts have generally been defined to be amounts greater than 5% of earnings before tax (EBT). As a result, at a minimum, public companies designed their system of controls to detect material misstatements in their financial statements. Additional or more precise controls were implemented at the registrant's discretion based on cost-benefit considerations.

For the purposes of defining significant deficiencies under 404, the accounting profession has defined "inconsequential" to be 20% of materiality, as set forth in "A Framework for Evaluating Control Exceptions and Deficiencies" (Version 3) dated December 20, 2004, developed by representatives of nine of the largest public accounting firms (BDO Seidman LLP, Crowe Chizek and Company LLC, Deloitte & Touche LLP, Ernst & Young LLP, Grant Thornton LLP, Harbinger PLC, KPMG LLP, McGladrey & Pullen LLP and PricewaterhouseCoopers LLP) and Mr. William F. Messier, Jr., Professor, Georgia State University.

The FCPA did not mandate any minimum risk threshold or tolerable probability of misstatement. Prior to 404, the acceptable risk threshold has been a function of cost-benefit considerations, including susceptibility of related account balances and transactions to potential misstatement or potential for misappropriation of related assets. Less risk was tolerated where assets were more liquid and could be more easily misappropriated. Likewise, less risk was tolerated where account balances and transactions were more subjective, complex or susceptible to potential manipulation or misstatement.

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