Leon J. Level
Vice President and Chief Financial Officer

April 26, 2005

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

Re: File No. 4-497

FILED ELECTRONICALLY (rule-comments@sec.gov)

Dear Mr. Donaldson:

We commend the Commission on the April 13 Roundtable on internal control over financial reporting (ICFR). The discussion was an exceptionally positive step toward obtaining constructive ideas and suggestions from investors, issuers, auditors, regulators and others. I especially appreciate the SEC's invitation to serve on one of the panels and the support from your staff throughout the day, both on and off camera. We are submitting this letter in response to the invitation by Messrs. Nicolaisen and Bailey, the panel moderators, to offer any further thoughts, comments or suggestions before May guidance is released, responsive to Roundtable comments and suggestions. This letter expands upon comments and suggestions previously submitted in our March 7, 2005 and March 31, 2005 letters to the Commission and incorporates suggestions raised in the Roundtable discussions.

The Roundtable provided an opportunity to review both benefits and costs and to explore a number of the related issues and suggestions to address these issues. Taken together, these suggestions could significantly reduce compliance costs without any reduction, and perhaps some improvement, in effectiveness. Furthermore, they would not require any amendment of the underlying legislation and only modest refinements of rules implementing Section 404 and PCAOB Auditing Standard No. 2 (AS No. 2).

Roundtable Issues and Recommendations

The Roundtable surfaced enhancements for better, more efficient implementation by issuers and auditors, including the following:

- The SEC and PCAOB should further encourage a more "principles based" rather than "rules based" approach. For example, documentation and testing should be based on principles designed to encourage registrants and auditors to exercise their judgment to achieve the most effective implementation. A principles based approach also will better enable registrants and auditors to achieve the Act's original objectives in the most cost effective manner.

- Focus on material risks and disclosures, allowing judgment in resolving issues which may potentially border on "remote" or "inconsequential" matters
    - Modify the definition of significant deficiencies to focus on truly significant matters and incorporate cost benefit criteria

- Focus on the control environment – corporate governance, audit committee oversight, ethical values, management's integrity, and opportunity for management override

- Require the auditor to issue only one opinion, an opinion on the effectiveness of internal control over financial reporting

    - The auditor's opinion on management's assertion is redundant and does not provide further assurance
    - The opinion directly on the effectiveness of internal control over financial reporting provides the most conclusive assurance and is similar to the manner in which the auditor expresses his attestation on the registrant's financial statements.

- Use a risk based approach to determining scope and extent of testing permitting auditors needed flexibility to exercise greater judgment

- Provide assurance to auditors that their good faith judgments will be respected by the PCAOB

- Encourage auditors to place greater reliance on the work of Internal Audit, provided Internal Audit personnel meet competency and independence requirements under Statement on Auditing Standard No. 65

- Allow rotation of testing based on risk, significance and extent of changes from the prior year

- Permit testing on an interim basis during the year and minimize the extent of roll forward procedures

- Apply commercially reasonable standards in determining requirements for documentary evidence of controls and in evaluating remediation of significant deficiencies

- Strongly reaffirm COSO principles wherein controls may be quite effective despite the absence of documentary evidence of controls. COSO (page 73) states:

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- "Many controls are informal and undocumented, yet are regularly performed and highly effective. These controls may be tested in the same ways documented controls are. The fact controls are not documented does not mean that an internal control system is not effective or that it can not be evaluated."

- Clarify the standard of diligence necessary to support management's quarterly certifications under Section 302 of the Act regarding disclosure of changes which may have material effects on internal control over financial reporting. Potential clarifications include:

    - Modifying the quarterly certification requirements to focus solely on disclosure controls and procedures, the original focus of the certification requirements and/or
    - Alternatively, providing a safe harbor for registrants provided they meet a minimum standard of diligence

Refinement to Implementation Guidance: Scope of Management and Auditor Testing

The scope of management and auditor evaluation and extent of testing is perhaps the one area which could result in the most significant cost reduction. The Roundtable identified some specific recommendations. These recommendations can be integrated into a more efficient, cost effective and pragmatic approach. First, the scope of management and auditor testing could be based on: (1) a materiality factor equal to 5% of earnings before tax, (2) a risk based assessment of account balances and related financial statement assertions and (3) assessment of the effectiveness of entity and company level controls.

Second, in determining scope, all significant business unit locations and account balances would be in scope. However, where business unit locations and account balances are determined to have medium or low risk, reliance may be placed on documented entity and company level controls, rather than detailed process level transaction controls, provided such entity and company level controls are effective.

- To achieve testing of all significant process level transaction controls over multiple years, process controls for medium and low risk business unit locations and account balances would be subject to evaluation on a rotation basis.

- Walkthrough procedures would be performed for the account balances and related classes of transactions which are subject to review of process controls in any given year (as set forth in the rotation plan).

During the course of the Roundtable discussion, the Comptroller General of the United States indicated a risk based audit approach has been in use in General Accounting Office audits of Federal government agencies for some time. The risk based approach is used in tandem with a multi-year rotation plan to determine all areas are subject to audit testing over a multi-year time frame. The approach described above parallels the risk based rotation approach employed by the GAO.

It is critically important for the PCAOB to provide assurances to auditors their good faith judgments will be respected. The PCAOB also should encourage auditors to place greater reliance on the work of Internal Audit. The collective effect of the implementation refinements discussed above would be to significantly reduce compliance costs while maintaining the effectiveness of these reporting requirements.

Refinements to PCAOB Auditing Standard No. 2

In response to the issues identified by the Roundtable, we recommend several refinements to AS No. 2 consistent with the foregoing approach. Recommended refinements to PCAOB Auditing Standard No. 2 include:

- Eliminate the auditors opinion on management's ICFR assertion

- Modify the definition of significant deficiencies to focus on truly significant matters and allow incorporation of cost benefit criteria in evaluating remediation of identified deficiencies

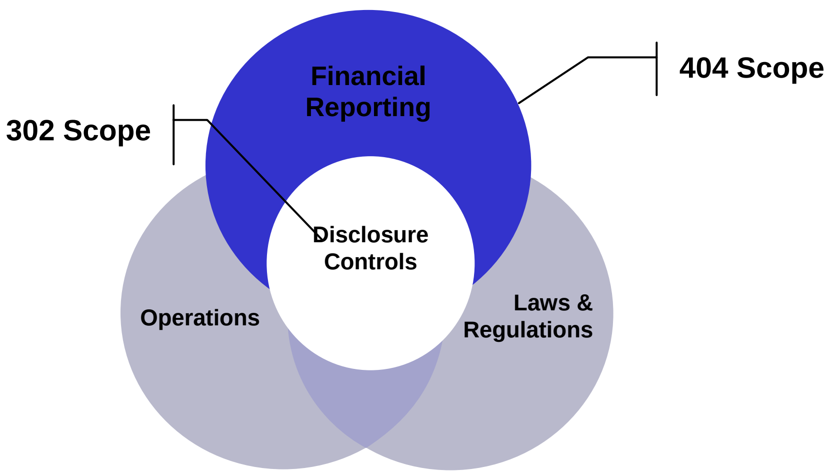
- Reaffirm the documentation principles established by COSO, specifically affirming the effectiveness of informal and undocumented controls.

Refinements to SEC Rules: Section 302 Certifications

We also would like to repeat and expand upon the concern raised in our March 31, 2005 letter regarding Section 302 certification requirements. In the initial 404 proposed rule, the Commission proposed registrants report quarterly on their internal control over financial reporting. In the final 404 rule, the Commission eliminated the quarterly reporting requirement and replaced it with an annual reporting requirement, primarily due to the level of effort quarterly reporting would require. This level of effort would have resulted in a materially higher compliance cost while posing a nearly impossible logistical challenge for most registrants. Even without this quarterly reporting requirement and excluding smaller registrants for which the effective date has been extended, surveys estimate first year annual costs at approximately $35 billion.

In eliminating quarterly reporting under 404, the subsequent representations under Section 302 were expanded to require registrants to either (1) disclose any changes in controls which could materially affect the company's internal control over financial reporting, or (2) indicate no such changes had occurred. While this eliminated a potentially significant burden under Section 404, it possibly has replaced it with a more onerous burden under Section 302 quarterly certification requirements. There is a wide range of opinions as to the level of diligence management must undertake to satisfy 302 certification requirements. Ironically, the most extreme of these would require nearly the level of effort necessary to issue a quarterly 404 report. This was obviously not the Commission's intent. Many registrants have performed interim testing as a part of their annual evaluation of ICFR; however, interim testing is not continuous auditing. Obviously, continuous auditing would be a prohibitively expensive proposition.

Similarly, further clarification of Section 302 certification regarding disclosure controls and procedures (DC&P) would be beneficial. There is, of course, substantial overlap between internal control over financial reporting and disclosure controls and procedures (shown graphically below).



Again, there is a wide range of opinions as to the required level of diligence necessary to substantiate management's DC&P certifications. Some auditors seem to be advocating issuers perform extensive testing on a quarterly basis of both internal controls and disclosure controls and procedures. This likely would not only prevent any significant reduction in compliance costs in year two, it would significantly increase compliance costs over the current year. Again, we do not think this is consistent with the Commission's intent nor the views expressed by members of the Commission and the PCAOB at the Roundtable.

We recommend the Commission consider the following alternatives:

- Modify the quarterly certification requirements to focus on disclosure controls and procedures, the original focus of the certification requirements, or alternatively, clearly limit the certification as to material changes in internal controls to the best knowledge and belief of the officers executing the certification. We strongly recommend the Commission afford registrants a safe harbor provided the registrant meets a minimum standard of diligence.

- Clarify issuer diligence requirements concerning Section 302 certifications regarding the effectiveness of disclosure controls and procedures

We would like to again thank the staff of the Commission for their efforts in hosting the Roundtable and for the opportunity to participate in the panel discussions. We remain committed to working with the Commission, the PCAOB, other issuers, investors and other interested parties on refinements and improvements which will enhance the effectiveness and significantly reduce the cost of these reporting requirements. Thank you for your consideration of our views. We would be pleased to discuss our concerns and recommendations and any questions you may have.

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