

P.O. Box 4065
Monroe, LA 71211-4065
Tel 318 388 9512
Fax 318 362 1728

R. Stewart Ewing, Jr.
Executive Vice President and
Chief Financial Officer



April 7, 2005

Mr. Johnathan Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Dear Mr. Katz,

I am the Chief Financial Officer of a mid-cap, S&P 500 listed company that has approximately 6,800 employees, and \$2.4 billion in revenue. I am submitting this letter in response to the Securities and Exchange Commission's ("SEC") request for input from interested parties about their experiences in the initial year's implementation of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Act") and related regulations adopted by the Public Company Accounting Oversight Board ("PCAOB").

Thanks to the tireless efforts of our employees, audit committee and external auditors we successfully and timely completed our 404 process for fiscal year 2004 at a total cost of approximately \$10.6 million, an amount that includes a 173% increase in the amount paid to our external auditors and which represents almost 2% of our 2004 earnings before income tax.

While we are naturally concerned about any expense increases, cost is not our principal 404-related concern. Rather, we are concerned that under the current standard a large percentage of the dollars being spent by us and other issuers are paying for services that have only a marginal benefit to the accuracy of public company financial reporting. That being the case we would urge the SEC to consider a few basic changes to PCAOB's implementation of Section 404. If adopted, we believe these suggestions

would urge the SEC to consider a few basic changes to PCAOB's implementation of Section 404. If adopted, we believe these suggestions will avoid the incurrence of unnecessary costs without undermining in any way the substantive benefits that Section 404 is intended to provide.

First, we believe the materiality thresholds used in determining the scope of accounts required to be tested should be reevaluated and made clearer. During the first year of implementation there did not appear to be a meaningful filter on the types or levels of accounts required to be tested in the 404 process. We believe that the purposes of 404 would be better served if issuers were required to focus their testing on those accounts where risks were higher, rather than treating all accounts above a certain dollar threshold with the same degree of importance. The fact is that just because a line item is relatively large does not necessarily mean it has a degree of risk that would require it be tested at the same level as a smaller account balance whose risk is in fact greater. **We believe PCAOB should modify its standard of materiality to allow issuers and their auditors to focus on those account balances where the risk of misstatement is greater rather than treating similarly every account above a certain threshold, irrespective of its relative risk.**

Second, we would encourage a more qualitative policy with respect to the frequency of testing required to comply with management's certification and the auditor's attestation of an issuer's internal controls. There are surely controls that relate to such material and higher-risk accounts that annual testing by the auditor makes good sense. By the same token, there are surely controls that relate to such relatively immaterial or lower-risk accounts that less than annual testing is sufficient to provide the required assurances. Indeed, the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission recognized that "evaluations of internal control vary in scope and frequency, depending upon the significance of risks being controlled and importance of the controls in reducing the risks." Additionally, we do not believe it makes sense to require the auditors to start each year's testing efforts from scratch without reliance upon the prior year's efforts. **PCAOB's AS-2 should be modified to permit periodic testing of lower-risk accounts, to permit the external auditor to rely more upon the testing efforts of an issuer's internal audit function with respect to those same types of accounts and to allow auditors to rely, to**

the extent reasonable under the circumstances, upon the prior year's testing efforts in completing a subsequent year's testing.

Third, we would encourage the SEC to require a better-defined and more realistic standard with respect to the amount of documentation of internal controls required to comply with AS-2. A significant percentage of the unnecessary costs incurred during the first year of 404 compliance related to documentation of processes and procedures that ultimately had very little to do with the accuracy of financial statements. It has been said and it was our experience that where the auditors are concerned, "if a control is not documented, then it does not exist". This is an inappropriate standard that does not reflect the reality that many effective controls are in fact informal. As the Treadway Commission pointed out:

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 that controls are not documented does not mean that an internal control system is not effective, or that it cannot be evaluated."

We believe the Treadway Commission was right on the mark in this observation. In fact, in addition to driving wasteful costs, this extensive focus on documentation of marginally important processes fails to recognize that the most effective of all internal controls—a corporate culture where the importance of honesty and integrity in all that one does is ingrained into employees at every level of the organization—cannot by its very nature be documented. **We believe PCAOB should give issuers the latitude to determine in conjunction with its auditor which of its controls should be documented.**

Fourth, we would encourage the PCAOB to reconsider its definition of what it means for an auditor to "attest" to an issuer's report on the adequacy of its internal controls as required by paragraph B of Section 404. As implemented by PCAOB and the accounting firms "attestation" means "do over again", an approach that drives a significant degree of redundancy and waste, but precious little in terms of additional assurance over the accuracy of an issuer's financial reporting. **We believe AS-2 and any related attestation standards adopted by PCAOB should allow auditors to satisfy their attestation requirement by validating the scope of the**

issuer's efforts, evaluating the reasonableness of its conclusions and performing such tests and additional procedures as it believes is reasonably necessary to assure itself of the accuracy of management's conclusions.

Finally, we believe the SEC should require PCAOB to establish a mechanism through which issuers could directly inquire with their 404 questions and concerns. During this first year of implementation we issuers had no choice but to accept from auditors what was required to comply with 404 and PCAOB's rules. Our ability to ask questions and press concerns was greatly constricted both by time limitations and the fact that issuers had little choice but to submit to the inevitably greater experience and leverage held by the big four accounting firms. That the firms who are evaluating public companies internal controls have the ability to essentially decide for themselves how much work they will require the issuer to purchase from them in evaluating those internal controls is an irony that cannot be lost on many—the auditors would certainly identify that as an arrangement of concern if it were in place with any other service provider. Issuers need help from PCAOB to ensure that the auditing firms remain focused on achieving the articulated audit objectives by means that are most efficient for the issuer and, ultimately, the issuer's shareholders.

The Act and PCAOB's rules have some definite requirements about which there can be little good-faith disagreement. There is, however, a vast range of other areas where the issues are subject to interpretation. We fear that in these instances the instinct of the auditor is to require more and more testing and documentation--not because it is required by the rules or necessary to provide reasonable assurance about the accuracy of financial statements but rather because it provides them marginally more comfort and because the issuer is not in a position to effectively argue against the need or cost of the additional measures. **We believe PCAOB should appoint a representative who will speak specifically for issuers in matters related to 404 implementation. We also believe PCAOB should establish a mechanism where issuers can go directly to PCAOB for guidance and information regarding 404 implementation.**

There has been a great deal of discussion about the far-reaching effects and costs of 404 implementation. We share in many of the concerns raised in the press and in the other letters submitted to the SEC on this topic, but we believe our dialogue at this point is better focused on how to make sure our

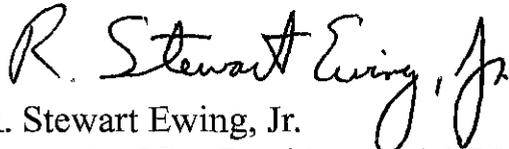
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efforts to ensure the accuracy of financial reporting are having their intended effect and are as efficiently implemented as possible.

We believe it is important in that regard to remember that 404 is only one of many measures adopted by Congress, the SEC, the New York Stock Exchange and other SROs. Increased whistleblower protections, more direct alignment of the auditor with the audit committee, mandatory executive sessions of board and key committees, restrictions on non-audit services, director independence requirements and other measures have been very effective in providing additional assurance of financial statement accuracy and good governance environments. The presence and value of those measures should not be overlooked when considering whether 404 should be modified. Section 404 is not the sole means of providing the assurances sought by the Act and there is little risk in allowing its scope and implementation to be rationalized to reflect the lessons of the first year's implementation.

We appreciate the opportunity to share our observations and look forward to attending the roundtable later this month.

Sincerely,



R. Stewart Ewing, Jr.
Executive Vice President and CFO

cc: Glen F. Post, III, Chairman and CEO, CenturyTel, Inc.
James B. Gardner, Chairman, CenturyTel, Inc. Audit Committee

Stewart Ewing