

To: Rule Comments
Subject: File No. 265-23
Date: February 15, 2006

Re: Advisory Committee on Smaller Public Companies' Recommendations

Dear Smaller Company Advisory Committee Members,

As an organization that assists small and mid-cap companies, Iknow applauds your efforts to identify revisions to the current legislation which will assist our clients. We know first hand the breadth of the topics under discussion, and appreciate your interest in receiving our commentary during your deliberations.

We believe that a “submission-based infrastructure” would allow small public organizations to self-assess their internal controls.

Key benefits of such an infrastructure include:

- Guidance on best practices for smaller public companies and those considering initial offerings.
- Enhanced transparency into small and mid-cap organizations.
- Improved comparability for investors and regulators.
- Significant savings.
- Centralized public access to the assessments (similar to EDGAR).
- Reduced barriers to entry for organizations considering public offerings.

With the specter of an annual review eliminated under our proposal, we believe the SEC, PCAOB, COSO, the Big 4 accounting firms and others should work together to ensure accuracy and honesty. This would be done by:

- Periodic reviews of the assessments made by smaller companies performed by a division of the SEC or an audit industry coalition. The funding of this group would occur through an annual licensing fee paid by each self-assessing organization.
- Penalizing and/or disclosing control weaknesses, depending on the significance of the discrepancy, for companies whose periodic reviews revealed irregularities between actual control procedures and the self-assessment statements filed.
- Migrating companies who had matured beyond the definition of “small” back to the current requirement of receiving an annual external opinion.

The problem with the current regulation is its “one size fits all” design. If best practices exist, why not use them to change the compliance process for smaller public companies?

To evaluate the viability of a “submission-based infrastructure”, we developed a software prototype which we shared with auditors, other consultants, and several of our clients. Their unanimous praise has reinforced our beliefs that this type of infrastructure is the most effective way to limit the unintentional suffering imposed upon smaller organizations as the result of Sarbanes-Oxley. This less prescriptive compliance regime could be operational in weeks, and would provide the necessary rigor and transparency originally sought by Sarbanes-Oxley without the exorbitant price tag.

We thank you for your consideration, and look forward to exploring this idea further with the Committee.

Sincerely,



Ronald E. Giordano
Managing Director –
Enterprise Risk and Compliance