



May 16, 2004

Jonathan G. Katz  
Secretary  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20549-0609

Re: Public Company Accounting Oversight Board (PCAOB);  
Notice of Filing of Proposed Rule on Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements* PCAOB-2004-03; 69 FR 20672 (April 16, 2004)

Dear Mr. Katz:

Commercial Federal Corporation (CFC) welcomes the opportunity to comment on the SEC's release on the proposed PCOAB standard "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements," as referred to in Section 404(b) of the Sarbanes-Oxley Act of 2002 (SOX).

CFC's primary subsidiary is Commercial Federal Bank (CFB). CFB is a \$12 billion federal savings bank, headquartered in Omaha, Nebraska, and regulated by the Office of Thrift Supervision. CFB operates nearly 200 branches across seven states, including Arizona, Colorado, Iowa, Kansas, Missouri, Nebraska, and Oklahoma. CFB has been subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) since its inception and, specifically as it relates to SOX Section 404, FDICIA Section 112. CFC takes great pride in the quality of its corporate governance and attention to a sound system of internal control.

The PCAOB has worked hard in its efforts to codify the standard governing the implementation of sections 404(b) and 103(a)(2)(A) of SOX. Clearly, the vetting process to date has identified a number of concerns with the original proposal. It is highly commendable that the PCAOB considered and was sensitive to all commenters' views as it crafted the final proposal. We certainly applaud these efforts.

Many of the comment letters you will receive will undoubtedly acknowledge the appropriate concessions made in areas such as reliance on the work of others, scope of walkthroughs, etc. Others will still remain troubled by certain aspects, including the natural conflict created by the evaluation of the audit committee's effectiveness and, most importantly, the cost/benefit of full compliance.

Nonetheless, we are where we are. All public companies are in various stages of the very arduous and tedious process of documenting their controls over financial reporting so that they can be prepared for the controls audit the standard calls for. We know all too well; with implementation of any far-reaching legislation, only time will tell whether the benefits to society will truly outweigh the cost. Much has been written about the initial and ongoing estimated costs associated with Section 404. It remains questionable to us whether the process of documenting,

testing, auditing, and reporting on, in painstaking detail, a company's controls over financial reporting will actually prevent the types of fraud and abuse perpetrated on the investing public in the recent "accounting-related" scandals. History has shown that the implementation of burdensome rules in a free market society generally just leads to more creative and unscrupulous behaviors to circumvent the rules. The vast majority of companies (and their senior executives) which functions with honesty, ethics and integrity will bear the burden for those who have historically abused their position and violated investor trust. We hope, as does everyone, that SOX, in its entirety, is able to accomplish what it set out to do, which is to restore investor confidence.

The unanswerable question at this juncture is: will the inevitable resulting increase in the cost of goods and services that get passed on to the consumer outweigh the cost to society of organizations that fail due to "accounting irregularities?"

Regards,

Hal A. Garyn  
Senior Vice President – Director of Audit and Risk Services  
Commercial Federal Corporation