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October 31, 2005

Mr. Jonathan G. Katz

Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-9303

Re: Request for Comment by the Securities and Exchange Commission on Internal Control Reporting Requirements

File No. S7-06-03

Dear Mr. Katz:

Deloitte & Touche LLP is pleased to submit this letter in response to the request of the Securities and Exchange Commission (the "Commission") for comment on the implementation of the Commission's rules relating to internal control, particularly with respect to smaller public companies.

Introduction

We support the Commission's approval of the final rule extending the dates by which non-accelerated filers are required to comply with the Commission's rules relating to Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). We also commend the Commission's ongoing efforts to further consider the implementation aspects of these rules on smaller public companies. In this regard, we compliment the Commission's efforts to date, including the organization and support of the Advisory Committee on Smaller Companies as it examines the impact of the Sarbanes-Oxley Act and other federal securities laws on smaller companies. We are following with interest the progress that is being made by this group. We also commend the request by the Commission staff that the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") establish a task force to develop some practical guidance on how the COSO Internal Control-Integrated Framework might be applied by smaller public companies. We look forward to the opportunity to provide commentary on the exposure draft of this guidance, which was released last week.

In support of the Commission's efforts, we have included responses to certain questions posed by the Commission in its request for comment on some substantive issues regarding the application of the Commission's internal control reporting requirements to smaller public companies.

Should there be a different set of internal control over financial reporting requirements that applies to smaller companies than applies to larger companies? Would it be appropriate to

apply a different set of substantive requirements to non-accelerated filers, or for management of non-accelerated filers to make a different kind of assessment? Why or why not? If you think that there should be a different set of requirements for companies that are not accelerated filers, what should those requirements be? What would be the impact of any such differences in the requirements on investors?

Effective internal control is important and relevant for companies of all sizes and having different sets of internal control requirements may incorrectly imply otherwise. Any requirement that results in management of smaller companies, or their auditors, performing less work than the larger companies to assess the effectiveness of their internal control would result in the investing public receiving less or potentially incomplete information about the effectiveness of the internal control of these smaller companies. We do not believe that providing less information is in the best interests of investors. Different requirements may also lead to potential confusion in the marketplace. Accordingly, we believe that smaller companies should adhere to the same internal control over financial reporting requirements as larger companies.

We encourage the Commission to use the time obtained as a result of the additional deferral of the compliance dates to support future study and the development of guidance and best practices that will enable the smaller companies to comply with the rules of Section 404 in the most cost effective manner.

Additionally, we recognize that the Advisory Committee on Smaller Public Companies is actively engaged in analyzing the impact of the rules on smaller companies and is attempting to develop possible alternatives for consideration, both as they relate to management's and the auditor's responsibilities. We would not object to a proposal to the Commission requesting relief to smaller companies by allowing them to voluntarily comply with the internal control requirements (i.e., as they pertain to both management's report and the related auditor attestation) provided that it could be justified based on a costs and benefits analysis. Such a move could be coupled with a requirement that a company's shareholders would need to ratify any "opt out" of the requirements. There are a number of complex issues associated with the development of different sets of rules, and consequently, we do not believe that now is the time to rush to judgment on any of these questions or possible answers. As mentioned above, we support the efforts of this committee and we believe that it is appropriate that it be allowed to complete its work, including full analysis of any potential alternatives that might be proposed for smaller companies.

Would a public float threshold that is higher or lower than the \$75 million threshold that we use to distinguish accelerated filers from non-accelerated filers be more appropriate for this purpose? If so, what should the threshold be and why? Would it be better to use a test other than public float for this purpose, such as annual revenues, number of segments or number of locations or operations? If so, why?

We recommend that the Commission continue to use the current \$75 million threshold to distinguish accelerated filers from non-accelerated filers for purposes of determining when issuers are first required to comply with Section 404. At this point most accelerated filers have completed their first assessment of internal control over financial reporting (or will do so shortly). Raising the threshold above \$75 million now might result in a situation whereby an issuer is no longer an accelerated filer and therefore would not need to comply with Section 404 as of its next annual reporting date; a situation that we believe is counterproductive. If based on input from all stakeholders in the capital markets, specifically investors, the Commission determines that raising the public float threshold or changing other aspects of the accelerated filer definition is necessary, we would recommend that the

Commission provide a “grandfathering” clause whereby the internal control reporting requirements of Section 404 would continue to be required for issuers that have already completed at least one annual assessment of internal control over financial reporting. This is consistent with our views expressed in the question above where we have expressed our belief that it is in the best interest of investors that all public companies comply with the requirements of Section 404. We do not believe that there is any rationale or support for lowering the threshold below \$75 million.

We also believe that public float is an appropriate criterion to consider as the objectives of investor protection are directly linked to an issuer’s public equity float. We do however recognize that coupling the public float test with other measures such as annual revenues, number of segments or number of locations or operations might result in a more appropriate result in some cases; however these should not be the primary tests. We would not object to further research and analysis of this topic being performed to more fully consider the issues.

We recommend that the SEC reconsider the current transition rules for first-time accelerated filers in the context of the internal control reporting requirements. In the context of the definition of an accelerated filer, we believe the Commission should consider tying the determination date to a longer period of time to eliminate unnecessary classifications into accelerated filer status from temporary, one-time market capitalization changes and minimize fluctuations in and out of accelerated filer status. For example, the determination date for entering accelerated filer status could be based on exceeding market value thresholds over a number of consecutive quarters or for two consecutive second fiscal quarters over two consecutive fiscal years. However, if the Commission elects to retain the current determination date based on the market capitalization as of the last business day of the issuer’s most recently completed second fiscal quarter, we recommend that the Commission provide some relief from internal control reporting requirements for companies entering accelerated filer status for the first time for as long as the applicability of such requirements differs for accelerated and non-accelerated filers. For example, the Commission could allow a company entering accelerated filer status for the first time to only have to first comply with the requirements of Section 404 in its second annual report filed as accelerated filer (i.e., a company that becomes an accelerated filer would then have 18 months from the date that accelerated filer status is first determined before its first annual assessment of internal control over financial reporting would be required in terms of Section 404).

Should the independent auditor attestation requirement be different for smaller public companies? If so, how should the requirements differ?

Consistent with our response to the first question above, we recommend that the auditor attestation requirement remain the same for all public companies that are subject to the requirements of Section 404. We believe that this best serves the interests of investors, and avoids potential confusion in the marketplace about the nature of the auditor’s work and related reporting if different levels of service were to be provided to companies of different sizes.

Should the same standard for auditing internal control over financial reporting apply to auditors of all public companies, or should there be different standards based on the size of the public company whose internal control is being audited. If the latter, how should the standards differ?

Consistent with our response to the first question and the previous question above, we recommend that the same standard for auditing internal control over financial reporting apply to auditors of all public companies that are subject to the requirements of Section 404.

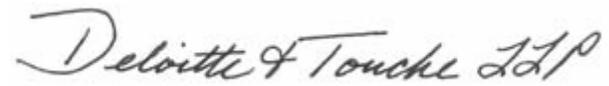
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We appreciate the opportunity to comment on the questions above. If you have any questions, please contact Bob Kueppers at (203) 761-3579 or Glenn Stastny at (203) 761-3285.

Very truly yours,

/s/ Deloitte & Touche LLP

A handwritten signature in cursive script that reads "Deloitte & Touche LLP". The signature is written in dark ink and is positioned below the typed name of the firm.