

Nancy M. Morris Secretary,
SEC 101 F Street,
NE Washington D.C. 20549-1090
RE: File Number S7-24-06
February 23, 2008

Dear Mr. Morris

I believe that section 404 of the Sarbanes Oxley Act of 2002 is crucial to investor confidence as well as to maintaining adequate internal controls. Let me first address the issue involving the purpose of the Securities and Exchange Commission as well as the Sarbanes Oxley Act. As stated on the SEC's website, your mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formations.

It seems as though the protection of investors is lagging behind facilitating capital formations.

The multiple deferrals of forced implementations of Section 404 of Sarbanes Oxley cause me to believe that the SEC has become a safe guard for corporations. The SEC has begun to protect its filed companies from costs and troubles that would help increase investor confidence in these companies.

Currently, with investor confidence levels falling to past lows and the threat, or start, of a recession, there is a need to help restore this confidence.

Also, with tragic events that shook the economy from lack of internal controls such as WorldCom, Tyco, and Enron the need for these internal controls to be regulated and audited for compliance is apparent. The Sarbanes Oxley Act of 2002 was the device which Congress formed to restore confidence after these events. It was also a mechanism used to strengthen corporate accounting controls in order to reduce the chances of these events occurring in the future. The problem is that currently, six years later, this device still has not been fully implemented for non-accelerated filers. The proposal at hand states that the cost of implementing Section 404 might be too large to overcome for non-accelerated filers with market cap of under 75 million dollars, and that studies need to be done to discover the costs which would be needed to employ Section 404 in entirety.

I not only believe that studies of these costs have already occurred, but I feel as though these costs do not represent something that would be a burden to these non-accelerated filers.

The study I am referring to is in the article The Sarbanes-Oxley Investment, by Robert Benoit, who serves on the COSO Monitoring Project Task Force. Robert Benoit and his company, Lord & Benoit, did a study of non-accelerated companies who were compiling with the internal controls for financial reporting of the first time. The companies they selected varied in size, revenues, and market capitalization. Also, the study was diversified across many different market industries. The study's results came from 29 companies who met these requirements; unfortunately, more companies were not included because many of the companies who were involved at the beginning chose to delay compliance due to belief that another extension would be granted. The study's results indicated that the average total cost of complying with both SOX Section 404(a) and 404(b) amounted to \$78,474. This was comprised of an average of \$53,724 on the management assessment and an average of \$24,750 on the auditor's assessment. What this amounted to was an average cost of complying with section 404(a) and 404(b) of .3% of market capitalization and .8% of revenues. The total cost found by the study was lower than the \$91,000 that the SEC had predicted and this data has been discovered before the SEC's deadline of no earlier than the summer of 2008 for their study. I find that these costs are not something that would put the non-accelerated company into hardship. Since the SEC already requires that management do an internal management assessment of internal controls, the only additional costs to companies, assuming that the internal management assessment is currently being done to a high standard, is the \$24,750 auditor's assessment. This cost would ensure that the internal controls of the company and the financial statements are valid. As the article states, without the auditors attestation report some companies may not perform the management assessment as thoroughly or carefully. Also, some companies may say their internal controls for financial reporting are effective when the auditors may reveal that this is not true. Without the auditor's attestation report, weakness in the company could go undetected and the public investors would have to trust the manager's opinion of the internal controls without having an independent voice backing up their assertions. With the full implementation of Sarbanes Oxley investor confidence should be restored. This can be proven by changes in the

compliant company's stock prices. The returns of 2,481 SOX compliant companies were found to outperform the stock market by nearly 10%. This is why I feel the costs of implementing the auditor's attestation is attainable and would be of great benefits to both the investor and the public company.

I also feel as though no company is too small to comply with the Sarbanes Oxley Act of 2002. A company who is registered to attain funds through the public market should be required to have proper internal controls. Investors need to know that the information being provided to them is valid in order to make a sound investment. If a company wants to attain funds through these public investors, they should be required to meet the Sarbanes Oxley Standards. There should not be different rules for different sized corporations. All companies should be held to the same level of quality.

Moreover, I think that internal controls for smaller companies are even more important than for larger companies. Smaller companies have more volatility and are riskier investments than large, well established multinational firms.

Therefore, I think it is our responsibility to the public investor to allow them to have accurate and valid information and to have an independent voice affirming this information.

Currently, non public companies may be held to a higher level standard of internal controls than non-accelerated public companies. This is because the AICPA has recently enacted new auditing standards that require auditors to evaluate the internal controls of financial statements and to verify that these internal controls are operating efficiently. Non public companies are, therefore, currently being held to higher standards than public corporations.

We are allowing companies in which the public investor takes a risk with, with their hard earned money, to be held to a lower quality standard than a company which is privately funded.

This is why I think there is no need to defer the implementation another year to Dec 15th, 2009.

There are two main reasons why I don't see a need to provide these non-accelerated companies another extension for compliance with Section 404 of the Sarbanes Oxley Act. The first is that the identification of the costs has already occurred and companies who have spent the money to comply have become a more sound investment to the public. Also, for their compliance, they have received benefits through increases in their stock price. Secondly, non-public companies are being forced to comply with the same standards and these companies, without public funding, have been able to implement these systems. If a company wants to secure funds through public investors, they should have to first prove that their internal controls are in good form to allow investors to make decisions based on valid data in the financial statements.

Sincerely,

Derek Salzwedel
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