Ball Corporation
10 Longs Peak Drive, Broomfield, CO 80021-2510 (303) 469-3131
Reply to: P.O. Box 5000, Broomfield, CO 80038-5000

September 18, 2006

Ms. Nancy M. Morris
Secretary
United States Securities and Exchange Commission
100 F Street, NE, Washington,
DC 20549-1090

Re: **CONCEPT RELEASE CONCERNING MANAGEMENT'S REPORTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

File Number S7-11-06

Dear Ms. Morris:

Thank you for the opportunity to comment on the nature and extent of additional guidance that would be helpful to management regarding its evaluation and assessment of internal control over financial reporting.

We agree that additional guidance, which addresses the needs and concerns of public companies, consistent with the protection of investors, is needed. The absence of guidance in some areas and the prescriptive nature of some PCAOB and accounting firm guidance has had the unintended consequence to drive too much of the internal and external audit efforts toward routine transaction and compliance testing at the expense of more analytical and substantive evaluations of processes, account balances and results.

We have limited our comments to those areas where the cost of compliance is disportionately high and where the change advocated will not reduce the quality of management's or the public accountant's evaluations. There are other areas where additional guidance to allow risk based judgment would be beneficial. We expect that other registrants and public accounting firm will comment on these areas.

Thank you in advance for your consideration of our comments.

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4. Are there additional topics, beyond what is addressed in this Concept Release, that the Commission should consider issuing guidance on? If so, what are those topics?

Walkthroughs

The level of effort spent by external auditors to perform walkthroughs represents one of the highest cost, least beneficial aspects of Section 404 compliance. As currently interpreted, AS2 does not permit the external auditors to use any judgment, requiring walkthroughs of every process that contains a key control.

We recommend the SEC issue guidance that softens the PCAOB requirement that the public accounting firms perform annual walkthroughs of all significant processes on the basis that annual walkthroughs are unnecessary where the following circumstances exist:

1. The public accounting firm has evaluated the process's internal control over financial reporting for design and operating effectiveness for multiple years.
2. The process entails low or moderate complexity, such as accounts payable.
3. The process is relatively stable year over year.
4. The control environment is effective.
5. Key controls are identifiable within process documentation and understandable during operational effectiveness testing.

Walkthroughs, while initially necessary in the first year, appear in many areas to have become just an exercise in documentation and rote compliance. We support required walkthroughs of processes that do not meet the above criteria and in years of initial implementation. The accounting firms should be permitted to use judgment and prior audit experience in evaluating the need for annual walkthroughs of every process that contains a key control.

Assessing Interim Deficiencies

The requirement used to assess interim deficiencies measures should be reconsidered. For example, we believe deficiencies should be evaluated against interim and annual materiality for quantifiable control gaps and only annual materiality for all other deficiencies.

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12. Does the existing guidance, which has been used by management of accelerated filers, provide sufficient information regarding the identification of controls that address the risks of material misstatement? Would additional guidance on identifying controls that address these risks be helpful?

Level of Re-performance

Additional guidance or clarification addressing the extent of re-performance testing is needed. Current guidance seems adequate to determine when reperformance is necessary; however, it is unclear the extent of re-performance that is necessary to obtain assurance of the operating effectiveness of a control. Additional guidance in the form of examples would be helpful to assure consistency of re-performance between management and external auditors. The following are, two examples where judgment varies widely:

1. If a control is a complex spreadsheet with multiple inputs, to what extent does management (or the auditor) need to verify data inputs and calculations within the spreadsheet?
2. If a control is timely account reconciliations and two hundred accounts are possibly significant, how may account reconciliations should be reviewed and to what extent do the reconciliations need to be re-performed?

18. Should guidance be issued to help companies with multiple locations or business units to understand how those affect their risk assessment and control identification activities? How are companies currently determining which locations or units to test?

Significant Locations

In the absence of guidance from the SEC and PCAOB, the public accounting firms have established a metric defining an individually significant location as "greater than 5%" of revenues, EBIT, or assets. This 5% guideline has evolved to be a "bright line" standard. The SEC should issue guidance to permit management to use risk based judgments within a defined range of a specified metric(s) in determining individually significant locations.

At Ball Corporation, based on current guidance, we test significant controls at one set of locations each year that individually exceed 5% of EBIT and rotate testing through another set of plants that are individually below 5% EBIT. The reality is that we have several locations that contribute between 5% and 6% of EBIT and several locations that contribute between 4% and 5% of EBIT. We have now reviewed those locations contributing greater than 5% EBIT every year for three

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years under Section 404. Those locations contributing less than 5% have been reviewed either once or never reviewed under Section 404. We believe the existing guidance has forced us into an approach that is not risk based.

The "bright line" standard has also resulted in a very high percentage of location testing in one of our segments that has embedded system and company level controls consistent for all locations. The standard drives testing for any location that meets the metric, regardless of the existence of any such system and company level controls. The cost and time requirements of compliance are significant. If locations must be tested because they meet a standard metric, the simple truth is companies will not voluntarily expand the testing to other " insignificant" locations due to the time commitment and cost. We recommend that the SEC provide guidance to better define, and to provide more flexibility to management to assess risk at individually significant location.

We also understand the need for some metric to ensure all companies adequately test locations. Therefore, we recommend a metric that would include the flexibility for management to exercise judgment in defining its significant locations. We recommend a metric that would permit a range of acceptable coverage, such as locations falling within a defined range, such as e.g. between 4% and 8% of EBIT. This would allow management to assess the individual plant risks and provide a mechanism to facilitate a cycle approach to location coverage. This approach is more risk based and cost effective. We agree any location contributing greater than 10% of the metric is presumptively significant, and registrants should still be required to meet the 60% -70% aggregate coverage threshold.

19. What type of guidance would help explain how entity-level controls can reduce or eliminate the need for testing at the individual account or transaction level? If applicable, please provide specific examples of types of entity-level controls that have been useful in reducing testing elsewhere.

Entity Level Control Guidance

Guidance should be provided illustrating the impact and benefit of entity level controls, particularly as they relate to less complex processes that involve many transactions. Such guidance would assist management, or validate management's assessment, that placing focus on entity level controls, rather than low-level transactional controls, is the proper assessment of the key controls that should be relied upon in management's assessment. Without such guidance and/or validation, management often feels constrained in reducing its focus on

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transaction level controls, and that is consistent with the perception of the external accounting firms.

As an example, we believe current metrics indicate that minimal material misstatements have been found in the areas of accounts receivable or accounts payable processes, so registrants should be able to reduce focus on transactional controls in these areas through reliance on prior year(s) testing and mitigating controls. Company level controls such as monitoring budget to actual results and handling customer invoicing and supplier payment complaints help identify underlying transactional issues. Therefore, management, in certain circumstances, would be able to conclude on its assessment without performing detail testing in some areas.

While we understand it is difficult to provide or address specific guidance as controls and facts will vary by registrant, directional guidance would be beneficial to assist management in understanding how certain company level controls may be relied upon by management. The external auditors place heavy reliance on the published guidance, so this would benefit registrants not only in determining how to assess its compliance, but would also lay the foundation for acceptance of management's assessment and approach by the external auditor.

29. Is guidance needed to help companies determine which IT general controls should be tested? How are companies determining which IT general controls could impact IT application controls directly related to the preparation of financial statements?

Application Control Benchmarking

In Question 45 of the PCAOB Staff Questions and Answers dated May 16, 2005, the PCOAB established criteria for a benchmark strategy for testing automated application controls. This criteria and subsequent interpretation by the public accounting firms was so restrictive and time consuming to implement that it is our understanding that virtually no company was able to benchmark application controls. There are simply no cost effective means to identify the specific programs the controls reside in or reports that identify changes to configurable application controls.

Malicious or inadvertent changes to existing application controls are inherently low risk. Further, the risk of fraud through changing application controls is low. Application controls are either inherent in core system functionality with changes controlled through general controls over program changes or are configurable controls controlled through general controls over access to programs. Year in,

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year out there is simply no reason to change application controls. Upon completion of our testing for 2006, Ball Corporation and our public accountants will have evaluated that 100% of the application controls relied upon for internal control over financial reporting are unchanged for three consecutive years.

We recommend that the SEC issue guidance that allows for benchmarking application controls under the following circumstances.

1. Stable information processing environment
2. Effective IT general controls over program changes and access to programs
3. Effective control environment

Given three years of 100% testing of application controls and low inherent risk, we believe that under the above circumstances allowing a benchmarking strategy to test 25% to 33% of application controls each year would provide reasonable assurance that application controls remain unchanged, i.e. they are designed and operating effectively for the period under review.

We would be pleased to be available for additional questions or comments on any of the topics outlined in the concept release.

Sincerely,

Douglas K. Bradford
V.P. & Controller

Kevin L. Vanek
Director, Internal Audit

Brian G. Kasic
Manager, Internal Controls & Reporting

cc: Raymond J. Seabrook, Executive V.P. & Chief Financial Officer