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EDS

September 12, 2006

Ms. Nancy M Morris, Secretary
Securities and Exchange Commission
100 F Street NW
Washington, D.C. 20549-1090

Regarding: Responses to Concept Release S7-11-06

Thank you for the opportunity to provide input on the topic of management's compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (the "Act"). We appreciate the reasons for the Act and the benefits brought by an increased focus on controls over financial reporting. Such benefits extend beyond lowering the risk of financial reporting errors and include opportunities for operating and financial process improvement. However, our experience with compliance with the Act has been and continues to be much more costly than anticipated by us and those drafting the legislation. We believe an opportunity exists to reduce the cost burden of compliance without sacrificing assurance of control effectiveness. This would require a modification of the Act to eliminate the requirement for an auditor to issue an opinion on management's certification of controls. We believe this opinion is redundant as more fully explained in our response to the Concept Release.

As a result of our size and global nature of our business, we also recognize the difficulty in drafting global policy that can be consistently implemented by thousands inside and outside of the U.S. Nonetheless, we do believe it is possible to provide improved, practical guidance on this issue, particularly as it relates to applying a risk-based approach to auditor and management certification of controls. A risk-based approach accompanied by the aforementioned modification to the Act would eliminate a significant amount of compliance cost without significantly impacting the level of assurance provided to investors by management and auditors.

We have provided our comments in the attachment according to the question numbering convention that appears in the Concept Release.

Sincerely,

William Casper

William Casper
Interim Controller and Principal Accounting Officer

II. Introduction

1. Additional guidance to management on how to evaluate the effectiveness of internal controls would be useful to all companies required to comply with Section 404 of the Act and should be in an objective form that can be consistently applied. We do not envision potential limitations to developing guidance for Section 404 compliance that cannot be resolved through intellectual debate and diligence. During the first two years of Section 404 applicability, much of management's actions were driven by demands from their auditors since the auditors were required to audit management's certification. Due to the absence of guidance on management's evaluation process as well as statements from PCAOB officials that management's evaluation should be much more comprehensive than the audit firm's evaluation, auditors required management to initially meet PCAOB audit standards and then determined if additional evaluation efforts over and beyond such standards were sufficiently comprehensive to enable management to certify it controls over financial reporting. This situation left management with no foundation upon which it could debate its position with its auditors other than "reasonableness". Thus, the authority to determine the extent and form of management's documentation and testing efforts rested with a party (the auditors) that could be seen as having significant incentive to require excess documentation and testing since such excess reduced their audit risk at no cost. This situation still exists today and will continue to result in excess management evaluation efforts unless it is resolved. The Staff's Statement on Management's Report on Internal Control Over Financial Reporting dated May 16, 2005 was helpful. However, it did not sufficiently address the situation above. The resolution requires the providing of more comprehensive, start-to-finish guidance to management or the elimination of the redundant requirement for auditors to certify management's certification. The latter alternative is discussed further below.

2. We are unable to comment on this inquiry.

3. As mentioned above, comprehensive guidance is needed. Such guidance should be based on broad principles supported by detailed procedures and examples. The audit firms have developed audit processes, manuals, programs, procedures, and training and interacted with regulatory bodies for over a century and use such tools and experience to guide their audits of controls. The audit firms consider this to be intellectual property and do not share it. Section 404 requires management to do the same audit if not more, yet no guidance or tools are available.

4. Further definition of a risk-based approach is needed. Further, specific guidance must be given on the definition of "risk-based". Past guidance from the PCAOB and the Staff has mentioned this concept, yet the guidance has left too much room for interpretation. The result is that audit firms interpret the intended meaning conservatively and perform costly testing in areas that present lower risk to the

quality of the company's financial reporting. We believe "risk-based" means that control processes should be documented according to a reasonable, valid and repeatable risk measurement method. The factors to consider when assessing risk are materiality, transaction volume, process complexity, process centralization, level of estimation used, level of control automation, management competency, employee turnover, susceptibility to financial reporting fraud, susceptibility to significant misstatement, prior year audit adjustments, and prior year control deficiencies. Those controls deemed to present a low risk of financial report misstatement should be tested on a rotational basis by management, or not at all in the presence of adequate monitoring controls. Further, the audit firms should rely entirely on management's testing/monitoring in the low risk areas and perform no testing of their own. Both management and the audit firms should focus their efforts in places where the risk of financial reporting misstatement is highest. This includes entity level controls, board of directors oversight, company level disclosures, revenue recognition, expense capitalization, expense accruals, and asset impairment analysis controls. Finally, clarification should be provided regarding the necessity to evaluate theft (i.e. fraud) controls over immaterial assets. Currently, control frameworks and PCAOB standards force the auditors and management to perform excessive documentation and testing efforts for such controls when the result of multiple control failures in multiple areas could not have a material impact on reported financial results.

5. A Commission rule is preferred and should be accompanied by comprehensive implementation guidance. Limited interpretive guidance on its own leaves too much room for one to apply unreasonable or "convenient" judgment and can lead to excessive control audit efforts and costs.

6. We have applied the COSO framework to our evaluation efforts. While we have improved our compliance process since 2004, we have yet to implement what we consider a truly efficient evaluation process. Such process would be risk-based as described in 4 above. Absent a Commission rule or PCAOB standard coupled with effective PCAOB review requiring such approach, we do not believe risk-based control auditing will ever be fully implemented.

7. As previously discussed, guidance in the form of a Commission rule should be principles-based rules supported by comprehensive practical application guidance. Anything less will not address the concern expressed in 5 above.

8. We believe COSO is the most comprehensive and widely accepted framework which is the reason so many companies applied it in their evaluation. It is the one taught in the vast majority of college accounting programs, and it is the easiest to understand. It is applicable to any type of business. However, COSO has a broader scope than just financial reporting, and we believe a modified COSO framework, including the modification regarding fraud controls discussed in 4 above, that addresses only financial reporting controls would be beneficial.

9. New guidance should incorporate and expand guidance included in the Staff's Statement. In particular, a more specific definition of a "risk-based" approach by management is needed.

10. We do not believe the audit firms should test and opine on management's assessment process as currently required by Section 404 of the Act. The Act requires executive officers of a company to certify as to the effectiveness of the control structure. Accordingly, management's evaluation and testing of the control structure forms the basis for this certification, and management is subject to penalty if they are found to be deficient in such evaluation. This penalty is sufficient incentive for management to perform an appropriate evaluation since management is aware that any material financial reporting error will result in a subsequent review of their evaluation processes by regulatory authorities. The law also requires an independent audit firm to issue an audit opinion on the financial reporting control structure. Section 404 does not allow management to use the audit firm's opinion in its evaluation. However, management must address any control deficiencies identified by the audit firm and cannot issue an unqualified certification unless its audit firm issues an unqualified opinion on controls. The audit firm's opinion provides the independent review of the financial reporting control structure sought by lawmakers and investors as a result of accounting frauds earlier this decade, and, when coupled with management's certification, provides investors with the appropriate acknowledgements of control responsibilities. Accordingly, the audit firm's evaluation of management's assessment required by Section 404 is redundant, results in unnecessary costs, and provides no additional protection to the investing public. We believe it is more appropriate for audit firms to review management's control evaluation efforts in the context of planning and executing the audit firm's audit of controls, and any deficiency noted during this review should be reported to the Company's audit committee by such firm.

III. Risk and Control Identification

11. Please refer to our response to 4 above. We do not have difficulty identifying risks to reliable financial reporting and related internal controls. The difficulty and debate arises during the quantification of each risk. Judgmental terms such as "significant" or "reasonable" should be avoided unless clearly defined in a manner that permits practical application. A risk quantification standard is needed.

12. Please refer to our responses to 4 and 11 above.

13. Please refer to our responses to 4 and 11 above.

14. This question is not applicable to EDS.

15. The ability of management and audit firms to rely on entity level and monitoring controls rather than low level account and transactional controls is critical to improving the efficiency of Sarbanes-Oxley compliance efforts while maintaining their effectiveness. Based on our knowledge of the events, recent major accounting frauds involved relatively few, higher-level financial individuals in companies in which the tone at the top was questionable and entity level controls were weak. Clear evidence of appropriate tone at the top coupled with effective entity level and monitoring controls should enable significant reductions in

ongoing documentation and testing efforts associated with Sarbanes-Oxley compliance. As a result of ethics hot-lines and other reporting mechanisms put in place as a result of revised stock exchange rules and the Act, we do not believe that material financial reporting fraud can be perpetuated in a large company environment when an appropriate tone and adequate entity level and monitoring controls exist. Testing these areas is relatively simple and, when combined with testing of a few other common higher-risk areas such as topside journal entries, revenue recognition and cost deferral, would result in an effective and efficient control audit. However, we do believe that a company must have sufficient mass to enable such approach. Smaller companies will not have sufficient segregation of financial responsibilities between accounting and reporting functions. Thus, the ability of one or two higher level individuals to override lower level controls and perpetuate material reporting fraud is greater, and testing of additional lower level controls would be warranted.

16. Additional guidance regarding quantitative and qualitative factors should be incorporated into a risk measurement method that forms the basis for a risk-based audit approach. Please refer to our response in 4 above for factors to consider.

17. As previously mentioned, we believe guidance should focus on controls over material fraud in financial reporting and state that incidental theft or misappropriation of immaterial amounts should not be included in the scope of an external audit, especially when entity-level and monitoring controls are deemed to be effective.

18. Absent other guidance, we are following PCAOB Auditing Standard No. 2 to determine which locations to test using revenue as a primary determinant. Additional guidance is needed.

IV. Management's evaluation

19. Guidance on risk mitigation benefits of entity level controls should list examples of such controls that can be relied upon to reduce testing in higher risk processes and eliminate testing in low risk processes. Specific examples of such controls include forecast to actual variance analysis and review, controls committee meetings and follow up, disclosure committee meetings and follow up, ethics training and communications, and consolidated monitoring controls for selected accounts.

20. There is a need for guidance on how management can use the results of already existing monitoring activities in lieu of separate evaluation testing. For example, we could use the results of our compliance monitoring activities in the areas of journal entry and client billing policy compliance as a basis for the assessment of the controls over these processes. This would be significantly more efficient and effective than performing additional testing and would eliminate any confusion or the need to reconcile the results of the monitoring to the results of the separate testing. It would also be useful to publish guidance that explicitly permits management to use its knowledge of controls obtained over time via daily

interaction to support its assessment. For example, management already knows if monitoring controls performed by management are functioning effectively and should not be required to separately test such controls.

21. Please see our response to 15 above.

22. Specific guidance on acceptable control risk and sample sizes for testing in various situations is needed. Currently, a company is left to the mercy of an audit firm whose sampling methodology may be more extensive than that required by management's judgment. We agree that factors such as risk, materiality, control attributes, competence and quality of the monitoring function should be considered. Additional guidance should include specific instructions regarding how such factors should be used and whether self assessments by those performing controls represent acceptable evidence to support management's evaluation.

23. We currently perform testing of controls within six months of our year end. This has resulted primarily from logistical reasons associated with planning and our audit firm's desire to time the testing of controls as close as possible to year end. We and the audit firms need explicit guidance that allows reliance on testing performed earlier in the year. For example, we believe deficiency-free test results in lower risk areas early in the year, followed only by a review showing no significant changes to the process in the fourth quarter, is sufficient to assess that process as of year end. However, it is currently too easy for a judgment to be made that this is not sufficient and require follow up testing in the fourth quarter since everyone is concerned about having their approach second guessed by the PCAOB.

24. Our deficiency evaluation process is based on the "A Framework for Evaluating Control Exceptions and Deficiencies" paper published by a group of accounting firms in December 2004. Such process is complex and subjective. The extent of documentation necessary to support the evaluation is subjective and in many cases reliant on detailed customized system queries of volumes and amounts and theoretical analysis capabilities of the evaluator. A more objective, less complex framework would be helpful. In addition, guidance is needed regarding the evaluation of the significance of a deficient lower level control when effective monitoring level controls are present.

25. We believe these terms require significant professional judgment and are skeptical that additional efforts to define materiality would result in a widely accepted, objective definition. However, a risk quantification methodology described in 4 above would insert more objectivity in the materiality determination process.

26. We believe it is appropriate to conclude there are no material weaknesses in controls over financial reporting when an error needing correction is discovered by management in the financial statement close process through the performance of control procedures. This is called control redundancy. The discovery of the error is strong evidence that a separate control, such as a monitoring control, is operating effectively.

27. We believe it is possible for a material weakness to have existed in a prior period, and then been remediated in the current period such that no material weakness exists as of the date of the certification of the current period's financial statements, assuming the current period's financial statements are correct. This situation would arise when a deficiency that resulted in a material error in a prior period's income statement was discovered and remediated by management in the current period, and did not have a material impact on the current period's financial statements. Since materiality is often defined by the level of net income in a period, the materiality threshold in a prior period in which net income was extremely low could be much lower than such threshold in the current period or future periods in which net income is or is expected to be substantially higher. Unusual events such as a material asset impairment or restructuring accrual can easily cause such a situation.

28. The use of technology to evaluate internal controls has not provided us with any real efficiency gains in Sarbanes-Oxley compliance process. An automated self assessment process, assuming such approach would be accepted, could provide some savings. However, substantial savings in time and cost can only come from prescribing a common sense approach based on risk and focused on entity level and monitoring controls.

29. Guidance from the Staff regarding IT control testing would be useful. The Staff should refer to the IT Governance Institute's white paper issued in 2004 that detailed which of its COBIT (Controls Over Business Information Technology) framework's components are important for evaluating IT controls for Sarbanes-Oxley compliance. COBIT is an extensive and thorough framework against which to evaluate IT controls. However, this framework addresses many controls which have no impact on the quality of financial reporting. This white paper serves to align the objectives of COBIT, COSO, and Sarbanes-Oxley. We have used this white paper from the beginning for evaluating its IT controls over financial reporting.

30. Please refer to our response in 29 above.

V. Documentation to Support the Assessment

31. Our documentation effort was, and continues to be, overly excessive due to a lack of guidance regarding which controls are really important to the quality of financial reporting. There is too much focus on low risk processes and pressure from audit firms resulting from conservative interpretation of Section 404 requirements and subsequent guidance from the PCAOB. Specifically, more reasonable guidance from the Staff would be helpful in alleviating this burden. Please refer to our response in 4 above for a discussion of which factors to consider in deciding which controls to document and test.

32. Extensive, detailed documentation for Sarbanes-Oxley compliance purposes should only be required for processes to be tested as determined by the aforementioned risk-based assessment process. At this point, we do not believe

guidance regarding the form of such documentation would be helpful and could result in unnecessary, incremental documentation efforts to conform existing documentation to a newly defined standard.

33. Guidance regarding the extent of documentation of management's evaluation procedures should be limited to a requirement for management to document its planning process and evaluation of control deficiencies identified during its testing process. The form of such planning and evaluation documentation should not be dictated, but guidance regarding necessary elements would be helpful. Evaluation documentation should be driven by the evaluation framework used by management (see our response to 6 above).

34. Please refer to our responses in 29 and 32 above.

35. This question is not applicable to EDS.