



February 26, 2007

Ms. Nancy M. Morris  
Secretary  
U.S. Securities and Exchange Commission  
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Dear Ms. Morris:

**File Number 57-24-06**

The Ethics Resource Center (ERC) is a private, non-profit organization devoted to independent research and the advancement of high ethical standards and practices in public and private institutions. For 85 years, the ERC has worked closely with businesses to foster a strong ethics culture and high standards of business behavior based on ethical values. We are pleased to present our perspective on Release No. 33-8762, *Management's Report on Internal Control Over Financial Reporting*.

It is with this experience in mind that we submit this comment letter to the U.S. Securities and Exchange Commission (SEC). The Sarbanes Oxley Act and its Section 404 provisions have resulted in increased investor confidence in public companies and an enhanced focus on the promotion of a corporate culture committed to ethical conduct in the workplace. Implementation of Section 404, in particular, has resulted in an overall improved control environment that recognizes the importance of strong governance at the top of, and throughout, public companies. We support changes that will increase efficiency in implementation, but believe that any effort to control costs should not take away from activity that encourages a workplace that puts integrity first.

We support annual management evaluation and auditor attestation; anything less could open the door to increased risk of unethical behavior in years not subject to the assessment and audit. We also support the notion of increasing efficiency by scaling the audit to reflect the unique attributes of issuers, but recognize that size alone should not be a determinant of the level or nature of evaluation and testing.

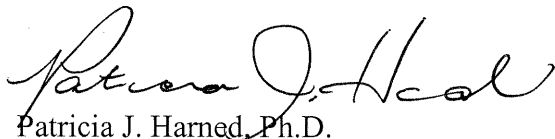
Our most recent National Business Ethics Survey (NBES), conducted in 2005 before many of the provisions of the Act and Section 404 were broadly implemented, revealed the following. This data is instructive as the SEC contemplates changes that could loosen management's evaluation and auditor attestation at this time. The NBES identifies trends in organizational ethics from the perspective of our nation's workforce, using a statistically valid sample of the U.S. employed population.

- Nearly 45 percent of employees in small- to medium-sized organizations (500 employees or less) observed some type of misconduct each year.
- Some five percent of employees at companies of all size observed financial fraud.
- Only 58 percent of companies across the United States had strong ethical cultures in which employees believed that ethical conduct really matters.
- When employees perceived that their leaders were truly committed to ethical principles, rather than being driven by compliance alone, misconduct was reduced by as much as 50 percent.

The ERC believes that effective internal control over financial reporting is linked to building a strong ethical culture, but the actions of leadership matter even more. Meaningful effectiveness-testing helps assure both investors and the financial marketplace that management is discouraged from overriding controls that are well-designed or taking short-cuts to reduce costs alone. It is a critical step in encouraging a “tone at the top” that is so fundamental to ethical behavior and business integrity.

We would be happy to comment further or provide additional research findings to the SEC if desired, and we are pleased to have the opportunity to provide our ethics perspective to the rulemaking process.

Sincerely,

A handwritten signature in cursive script that reads "Patricia J. Harned".

Patricia J. Harned, Ph.D.  
President