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The Lubrizol Corporation
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February 21, 2007

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

Subject: File No. S7-24-06
Comments on Proposed Rule: Management's Reports on Internal Control Over Financial Reporting

Dear Ms. Morris:

On December 19, 2006 the Public Company Accounting Oversight Board (PCAOB) issued Release 2006-007 proposing a new auditing standard entitled "An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements." The proposal would change the rules governing external auditor responsibilities under the Sarbanes-Oxley Act of 2002 Section 404 (SOX 404). At the same time, the Securities and Exchange Commission (SEC) proposed Release 33-8762 to clarify responsibilities for the related management assessment of internal control. These proposals have been exposed to public comment through February 26, 2007 after which they may be adopted by the PCAOB, approved by the SEC and supersede present requirements. The Lubrizol Corporation is pleased for this opportunity to share with you our feedback regarding these two proposals.

The Lubrizol Corporation is an innovative specialty chemical company that produces and supplies technologies that improve the quality and performance of our customers' products in the global transportation, industrial and consumer markets. We are headquartered in Cleveland, Ohio and are geographically diverse, with an extensive global manufacturing, supply chain, technical and commercial infrastructure. We operate facilities in 29 countries through the efforts of more than 6,700 employees. Our consolidated results for the year ended December 31, 2006 included total revenues of $4.0 billion.

The Lubrizol Corporation was defined as an "accelerated filer" to whom the provisions of SOX 404 and AS2 have been applied for the past three years. During this period, management has tested 828, 1,178, and 1,518 key controls in the fiscal years ended in 2006, 2005 and 2004, respectively. Additionally, our external auditors have reviewed and reported on management's assessment each year, including a review of all of these controls as required by SOX 404. The costs of SOX have been substantial to our company. External audit fees associated with SOX 404 work has resulted in increased audit fees of approximately 77%.

We continue to support the spirit and intent of the Sarbanes-Oxley Act. There have been several positive impacts with regard to our implementation of SOX 404 including the improvement of our documentation of policies and procedures and accountability across the organization relating to the financial reporting process. However, we continue to incur significant costs, both internal and external, to fulfill the requirements of SOX 404. As a result, we generally support the PCAOB and SEC recent proposals as they should help alleviate some of the burden and costs on registrants without compromising the intended benefits.

We believe the PCAOB proposed standard and the SEC proposed guidance provide a framework for implementing a top-down, risk-based approach. They have identified the approach including the focus on entity level controls, the identification of significant accounts and a risk-based selection of controls for testing. Additional emphasis has been given to entity-wide and company-level controls, especially those that can be linked directly to financial statement elements. The guidance would allow our company to place greater reliance on entity-wide and company-wide controls and reduce the number of key controls at the process level. This in turn would reduce the time and effort required to support management's assessment of internal controls. We agree there should be no requirement to identify every control in a process or to document every operating activity affecting internal control over financial reporting. We also believe this should result in reduced efforts and costs by our external auditors in evaluating internal control over financial reporting. We support the proposal to remove the requirement of the external auditor to evaluate management's process of evaluating internal controls over financial reporting.

Question 9 included in the PCAOB proposal asked "Should the guidance be issued as an interpretation or should it, or any part, be codified as a Commission rule?" As a result of this proposed standard, we believe we should be able to reduce the amount of documentation and testing that supports the internal control assessment for our company. We also believe that our external auditors should be able to increase their reliance upon management's work, assuming that the work is performed and documented to the level of detail required by the external auditor. However, we cannot control the interpretation of the recently issued guidance by the major public accounting firms and therefore will continue to perform and document our assessment to the level of detail required by our external auditor. For this reason, we request that any new internal control standard be issued as codified rules instead of interpretive guidance. The recently issued proposal is consistent with interpretive guidance issued by the SEC in May, 2006. Unfortunately, we believe the public accounting firms have hesitated to agree with the prior guidance and unnecessary time and effort continues to be spent documenting processes or testing controls that were unlikely to assist in detecting a material misstatement in a company's financial statements. We believe that the issuance of codified rules would help promote consistency and interpretation among public accounting firms.

Question 18 included in the PCAOB proposal asked "Will the proposed standard's approach for determining the scope of testing in a multi-location engagement result in more efficient multi-location audits? Both the PCAOB proposed standard and the SEC proposed guidance state that the multi-location testing requirements should be based upon risk rather than coverage. The provision requiring testing of controls over a large portion of the company would be eliminated. Previously entities were segregated into three categories: locations that are individually significant or involve specific risk, locations that are significant only when aggregated with others and locations that are insignificant individually and in the aggregate. We believe an insignificant entity automatically translates to a low risk of material financial misstatement to the company as a whole. We also believe that unless there are specific identifiable risks at a location, no additional controls or testing is deemed necessary. However, there could be additional qualitative or quantitative characteristics that should be used to determine the proper strategy for auditing multiple locations. The guidance is unclear as to how to apply this change and therefore we believe further guidance is needed.

The PCAOB proposal allows the consideration of knowledge obtained during previous audits, stating that after the first year's audit of internal control the auditor should be allowed to reduce the nature, timing and extent of testing based on his or her cumulative knowledge related to individual controls. However, the proposal specifically states that audit rotation of areas is not allowed. These statements appear to be in conflict. The approach outlined suggests three factors be considered including the nature, timing and extent of procedures performed in prior years; the results of that testing; and any changes in the control or its related process since the last audit. If an area is tested in year one and no deficiencies are identified from the testing, could the auditor continue to rely on this knowledge for one, two or even three years if no substantive changes to the process have occurred during the subsequent periods? Would the completion of an annual walkthrough be considered sufficient evidence of operating effectiveness? How long would an auditor be able to carry forward the prior knowledge obtained during an audit? Management would need to make some assumptions in these areas, which for all practical purposes would result in audit rotation. We believe the guidance is unclear as to how to apply this change and therefore we believe further guidance is needed.

In order for the external auditors to accept management's risk assessment, the risk assessment will need to be adequately documented along with the conclusions reached. There will need to be a well-developed, rational analysis of financial risks and documentation of assumptions. Although there is no official answer as to what this analysis should look like when completed, we believe both the PCAOB and SEC proposals give management adequate guidelines and room for interpretation in developing their risk assessment. Management will be able to design controls and conduct an evaluation that is tailored to their individual company circumstances. However, the results of the risk assessment will require ongoing discussions with the external auditor to ensure acceptance of management's conclusions.

The proposed guidance also allows for management and the external auditor to have different testing approaches. If management elects to use one testing approach and the external auditors select another and the results of testing produce differing conclusions, how is that difference to be reconciled and disclosed? Management might conclude that there is no deficiency while the auditors might conclude differently. Additional guidance on this situation would be appreciated.

The PCAOB also issued a proposed auditing standard on the external auditor's consideration and use of the relevant work performed by others. The large accounting firms still seem to be hesitant to rely on the work of others in certain areas, such as in the reviews of general controls and information technology. We request additional guidance be issued on how the work of others could specifically alter the nature, timing or extent of the external auditor's work. This could include how much retesting of the work of others would be required along with specific identification of areas where reliance would be acceptable.

In summary, we agree with the two overriding principles defined in the PCAOB and SEC proposals as summarized below:

1. Management should evaluate the design of the controls to determine whether they adequately address the risk that a *material* misstatement in the financial statements would not be prevented or detected.
2. Management's evaluation of the operation of its controls should be based on its assessment of the risk associated with those controls.

We believe the adoption of the proposed guidance would serve its intended purpose to tailor the audit of internal control to a company's individual circumstances, to focus the auditor's testing to the most important controls and to eliminate unnecessary auditing procedures. We request that any new rules or guidance by the PCAOB or the SEC be issued within sixty days after the end of the comment period to allow companies to realize the benefits of the changes in 2007. Thank you for the opportunity to offer our comments regarding the PCAOB and SEC proposals. We would be pleased to discuss our comments or answer any questions you may have.

Sincerely,

W. Scott Emerick

W. Scott Emerick
Corporate Controller and Chief Accounting Officer