March 31, 2005

Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington DC 20549-0609

Dear Mr. Katz,

Commercial Federal Corporation's (CFC) primary subsidiary is Commercial Federal Bank (CFB). CFB is an $11.5 billion federal savings bank headquartered in Omaha, Nebraska that currently operates 199 branches located in Nebraska, Iowa, Colorado, Kansas, Oklahoma, Missouri, and Arizona. CFC's operations include consumer, commercial, mortgage and Internet banking; consumer commercial and small business lending; and insurance and investment services.

CFC is encouraged by the open-mindedness of the Commission and PCAOB to seek feedback regarding the implementation of Sarbanes-Oxley Section 404 ("Section 404") to enhance investor confidence and corporate governance. We fully concur with the intent of Section 404. However, the implementation of the rules under Public Company Accounting Oversight Board Auditing Standard No. 2 ("PCAOB 2") have created much of the debate in industry as to the costs/benefits associated with implementation. Accordingly, we offer the following comments and recommendations.

<u>Cost of Compliance</u>

The cost to implement the requirements of Section 404 was excessive and outweighed the benefits. In our opinion, this imbalance was primarily due to the inappropriately low materiality thresholds established by PCAOB 2, resulting in extensive testing and documentation. Based on the thresholds defined in PCAOB 2, CFC's significant accounts represented approximately 99% of CFC's assets as of December 31, 2004. This level of coverage is excessive.

Additionally, PCAOB 2 definitions of likelihood ("more than remote" and "inconsequential") resulted in extensive testing that we believe was beyond the spirit and intention of Section 404. Such low thresholds result in immaterial deficiencies being reported that divert management, audit committee and investor focus from more serious deficiencies.

In our opinion, materiality thresholds should be increased to lower the cost of compliance while still meeting the intent of the act.

<u>Lack of Specificity of Definitions and Thresholds</u>

The definitions of materiality are subject to interpretation primarily driven by the external auditors. With the external auditors reacting to their heightened sense of risk in response to new oversight by the PCAOB, we believe the definition of materiality driven by them incorporates a greater than necessary degree of conservatism. This has created a disconnect between the perception of what is material between external auditors, company management, shareholders, the PCAOB and the SEC that could result in a detrimental effect to investor confidence. Applying the guidance for a "more than remote" probability and the possibility of a "more than an inconsequential" impact may result in less material deficiencies being over-emphasized and potentially confused with more significant weaknesses.

Without revision and clarification of the definitions, disclosure of weaknesses may be misunderstood by investors due to a lack of consistency in application of the definitions and thresholds.

CFC recommends that the definitions of materiality thresholds be clarified.

<u>Relationship with External Auditors</u>
Since the implementation of Section 404, external auditors are reluctant to give advice with regard to interpretation and application of complex accounting rules to avoid possible criticism from the PCAOB in regards to their independence. We believe the advisory role, formerly a part of the external auditor's client service, has been an important part of the relationship that helps ensure the highest quality financial reporting over time, especially when interpreting complex accounting guidance. If another consultant, other than our external auditors, were to assist us in the interpretation and application of accounting rules, as has been suggested, there is a good chance such assistance could result in differing recommendations. Added costs and lost time trying to resolve even more differences would be the outcome of this situation.

At the request of external auditors, financial statements and notes thereto are no longer provided to the external auditor until management has substantially completed their entire disclosure controls process to minimize the risk that the auditors may identify an error that management missed which could result in a reportable internal control deficiency or weakness. It seems to us that, essentially, the companies are now filing their financial statements with their external auditor before they are filing with them with the SEC.

Although this process may enhance the appearance of auditor independence, this delay in providing the external auditor with information until the final stages of completion results in compressed timeframes for both the company and the auditor as well as hinders the open, early and valuable communication between management and auditors. We also believe that with the stress of compressed filing timeframes and increased complexity in required disclosures, human error can and will occur in spite of tight controls.

We would like to recommend that the PCAOB provide guidance as to what type of consulting and interpretations public accounting firms can and cannot provide to their clients. We would also like to see this guidance recognize that interpretation of complex accounting rules is not "black and white" and needs to be agreed upon between management and the external auditors to avoid the need to resolve unexpected issues *during the report preparation period which is already demanding due to tight filing timeframes. Lastly, we would like to rekindle the idea of open and early communication with the external auditors to facilitate greater assurance that the financial statements are correct and that errors are caught prior to filing with the SEC without the fear of every issue detected or discussed being considered a possible internal control deficiency.*

<u>Delayed Guidance</u>
The delay of guidance provided by the PCAOB created compressed timeframes for companies that had to comply in 2004 resulting in increased direct and opportunity costs. For example, PCAOB 2 was not issued until March 9, 2004, requiring companies to have all significant accounts identified, processes documented, and testing completed in less than 10 months. External auditors needed time to understand and interpret the standard and provide implementation guidance across their firms. The result was many companies had to start implementing the requirements of Section 404 without sufficient time to coordinate an approach with their external auditors. For CFC, this situation resulted in additional work being performed as our interpretations of materiality needed to be adjusted when subsequent guidance was received from our external auditor.

Public accounting firms were also at a disadvantage due to late guidance. The shortened timeframes to complete their review and testing led to inadequate staffing levels and scheduling conflicts.

Adequate time between the issuance of guidance and the required implementation date is recommended to allow for efficient approaches to reduce the cost of implementation.

<u>Level of Documentation Required</u>
The documentation of controls previously not documented has resulted in increased preparation time for management as well as internal and external auditors. While we recognize the need to ensure that the control activities are taking place, we also consider the guidance provided in the COSO framework, Executive Summary, Chapter 6 (Monitoring):

> Many controls are informal and undocumented, yet are regularly performed and highly effective. These controls may be tested in the same ways documented controls are. The fact that the controls are not documented does not mean that an internal control system is not effective, or that it cannot be evaluated.

Several of the control weaknesses noted during the implementation of Section 404 related to the documentation of control activities.

In our opinion, the language in the PCAOB guidance should be more flexible and synchronized with COSO to recognize that not all controls need to be formally documented.

Thank you for your consideration and seeking input. I would be available to discuss our comments and recommendations and any questions you may have at your convenience.

Respectfully submitted,

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