April 8, 2005

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

Re: File Number 4-497

Mr. Katz:

Irwin Financial Corporation (IFC) thanks the Commission for its receptivity to feedback on our experience over the past 18 months with the requirements under Section 404 of the Sarbanes-Oxley Act of 2002 (404 or the Act). We believe that participating in the dialogue you have started is an important step in the public discussion to improve the implementation of 404 while simultaneously adhering to the principals at the core of the Act, in a manner which is balanced for all stakeholders.

IFC believes the goals of the Act are consistent with sound business practices. We have benefited from implementing the requirements of the Act through a heightened awareness at lower levels in our corporation of the importance of internal controls, some operational improvements and better business continuity planning. However, we also believe that certain specific requirements and ambiguity over other requirements have led to unnecessary regulatory burden and excessive resource use for which cost/benefit analysis seems to have been lacking. In addition, the requirements of 404 seem largely unrelated to the root cause of the scandal-based business failures of the past several years: fraudulent behavior by senior managers of a small minority of corporations. In short, while the risk and oversight goals of 404 are appropriate, they have been in place for many years and widely adhered to by conscientious business leaders.

In general, we believe there are two root causes for the excessive resource burden and costs in implementing 404:

1. The level of testing and documentation implied, if not required, by Auditing Standard 2, *An Audit of Internal Controls Over Financial Reporting Performed* in conjunction with an Audit of Financial Statements (Standard 2) and inexact language such as “remote likelihood,” “more than inconsequential,” etc., in Standard 2; coupled with

2. An audit industry governance structure in the development of the PCAOB in which public audit firms have seemingly been encouraged to adopt a risk management culture in which they are striving for absolute assurance that no fraud or errors would occur, notwithstanding the practical impossibility of such a standard. This is occurring in an environment where decisions on testing and assessment have limited cost/benefit discipline due to the limited input registered companies now have over auditing practices in what has become a near oligopolistic auditing industry. Aversion to risk on the part of public audit firms is suppressing appropriate risk taking by registrants necessary to drive innovation and a healthy economy and is driving up costs dramatically; we believe this could have unintended negative consequences for future competitiveness of SEC-registered firms.

Specific Observations

We think there are significant opportunities for improvement in the implementation of 404:

1. As noted above, the ambiguous language of Standard 2 coupled with PCAOB oversight of the public auditing firms has contributed to an environment in which the fundamental accounting concept of materiality seems to have been lost. To avoid potential PCAOB criticism of scope of testing and minimize perceived risk, it appears to us that public audit firms have gone far overboard in testing requirements, without regard to cost/benefit analysis. Definitions of deficiencies and significant deficiencies have such a small threshold that far too many items come into scope.

   Recommendation: Raise thresholds or allow registrants to self-define, with benefit of consultation with their public auditing firm, what their company-specific threshold is for testing—with disclosure on how it was determined.

2. From industry roundtables and networking conversations it appears to us that the lack of specific guidance from PCAOB results in differing requirements across accounting firms and apparently even differences within the same firm with regard to issues such as: a) the amount of reliance that can be placed on work performed by internal staff, b) scope, c) definitions of thresholds in Standard 2, and d) the lack of clarity as to what constitutes a control. This leads to anti-competitive differences among companies in the same industry. For example, limitations on the level of reliance that external auditors can place on the work of internal staff has resulted in significant duplication of work and increased cost.

Recommendation: Standard 2 should be modified to include plain-English guidance on minimum attestation standards. The standard should also be revised to permit the external auditor to place significant reliance on the work performed by internal staff based on the auditor's assessment of the competence, objectivity and independence of the individuals performing the work, and their assessment of the quality of such work. This should include the elimination of provisions that prohibit the external auditor from placing any reliance on the work of internal staff in such areas as process walkthroughs, controls related to the assessment of the control environment, period-end financial reporting processes, etc.

3. AS 2 guidelines on controls testing largely ignore risk assessment and in certain cases are too prescriptive. For example, the prohibition on rotation of testing rather than applying judgment based on past results ignores a long-standing GAAS practice of risk-based auditing. Requirements on the timing of testing, including required re-testing at year-end similarly ignore existing practice of risk-based auditing.

   Recommendation: Testing performed earlier in the fiscal year, supplemented by re-testing on a findings- and risk-based basis should be given more credence in management's and external audit assessments of controls. This includes permitting some rotation of testing over a two or three-year period for areas with a history of strong controls and lower risk.

4. Our experience, echoed by other registered companies with which we network, suggest that public audit firms have become excessively reluctant to provide advice or guidance on critical or new accounting practices and have become risk averse to a degree which is increasing costs and decreasing client firm competitiveness. We believe this is a direct result of the governance relationship between the PCAOB and the audit firms.

   Over the past two years, audit firms' line managers have displayed an increasing unwillingness to provide constructive feedback on critical accounting issues, leaving registered companies to form their own conclusions on GAAP, without the beneficial experience of industry professionals. Senior managers and partners take an increasing number of issues to their national office, rather than being addressed at the practice office level. For line managers of registrants, there is a fear that mere seeking of advice and guidance from public auditors will be construed as a sign of deficiency.

   Recommendation: We recommend that the SEC re-examine the root causes of the business scandals of the late 1990s. The vast majority were caused by fraud, malfeasance, and inappropriate "tone-at-the-top," not honest mistakes or misinterpretation of GAAP. The implementation of 404 has focused inordinate attention on the latter in a manner which is destroying the open, candid, cooperative relationship among public audit firms and their registrant clients which is critical to expose the former. We believe that discussions between management and auditors leads to improved financial reporting and disclosure and should not be discouraged.

The implementation of the Act has provided certain benefits for IFC:

1. Better understanding and appreciation of the importance of controls by employees across the corporation. Heretofore, this was understood by a limited number of senior management, line managers, accounting, and internal auditing staff. Relatedly, the pervasiveness and importance of general IT controls has been reinforced among a wider audience. The employee education required to comply with the Act has dramatically increased the breadth and scope of corporate understanding of these issues. We believe, that over time, this may reduce our operational losses.

2. Our 404 compliance procedures have required a review of certain operational processes which have, in some circumstances, allowed us to identify methods to improve our operational effectiveness and/or efficiencies. (It should be footnoted, however, that to-date, the savings from these opportunities have been de minimis compared to the overall cost of 404.)

3. Finally, the documentation required for compliance under 404 has been leveraged to provide our line management improved business continuity planning and personnel cross-training. Again, however, the costs of the extensive documentation required have more than offset this benefit.

Conclusion

IFC believes the intent of the Act was an appropriate response to the accounting abuses in the last several years. However, the economic impact and details of implementation were largely overlooked. 404 is meaningfully increasing costs for all U.S. registrants in a manner which is likely to be detrimental to jobs creation and economic growth, particularly by smaller firms. Additionally, the Act has created an unhealthy tension among participants in financial reporting and has changed those participants' main responsibility from improving businesses and operations to maintaining checklists and testing compliance with procedural processes. Over time, this is likely to lead to degradation in the quality of individuals attracted to these finance positions.

We appreciate the opportunity to share our views with you. If you have any questions about our comments in this letter, please do not hesitate to contact me at 812.379.7603 or greg.ehlinger@irwinfinancial.com.

Sincerely,

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Senior Vice President and Chief Financial Officer

Cc: Will Miller, Chairman and CEO, Irwin Financial Corporation
John McGinty, Audit Committee Chairman, Irwin Financial Corporation
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