TARGET

Jane Windmeier
Senior Vice President
Finance

March 31, 2005

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

Re: File Number 4-497

Dear Mr. Katz:

Target Corporation is a general merchandise discount retailer with 1,308 store locations across the country, generating nearly $47 billion in annual revenues. We have highly centralized operations based in Minneapolis, Minnesota. We recently completed our Sarbanes Oxley 404 (SOX) requirements and welcome the opportunity to share our input on this legislation and its impact on public companies based on our experience.

While there are clear benefits associated with the SOX requirements, these benefits were gained at an excessive cost. In our opinion, the overriding issue with this legislation is that both in aggregate and at a detailed level, it does not allow for cost/benefit trade-offs. Every process and control requires the same level of scrutiny and review, regardless of its importance in meeting the overall objective of accurate financial statements.

We believe the most important change needed to this legislation is to introduce the ability of management and their independent auditors to employ a cost/benefit balance in the design and testing of internal controls. By attempting to legislate processes at a detailed level, SOX has significantly reduced the ability of public company management and public accounting firms to apply sound business judgment based on the specific business situation. This one-size-fits-all approach has resulted in confusion and less than optimum results, because those involved feel they do not have the authority to use their business judgment and industry expertise in making decisions. In addition, it has made the local offices and engagement teams of public accounting firms reluctant to rely on their unique expertise with respect to an individual client in exercising independent professional judgment. Due to the high level of scrutiny, local accounting offices are deferring technical issues to their national offices, which have little client interaction and limited knowledge of the specific business environment. We also believe that any concerns that this principle-based approach would raise with respect to the level of discretion given to management can be ameliorated by requirements that the independent auditor provide a detailed, qualitative report to the Audit Committee, similar to what is done under SAS 61 with respect to financial statement audits.

In summary, we would recommend that the SOX legislation provide a principle-based guideline for public companies to follow that can then be used to guide more detailed decision making and internal controls appropriate to each company. In the event that this approach is not adopted, we have attached more detailed information highlighting the specific issues we faced with our SOX implementation.

Please contact me if you need any additional clarification.

Sincerely,

Jane Windmeier

Jane Windmeier
Sr. Vice President, Finance
Target

Attachment

cc: Tim Baer, Sr. Vice President, General Counsel
Doug Scovanner, Executive Vice President, CFO
Michele Hooper, Chair, Audit Committee

Attachment

- **<u>PCAOB guidance evolved over time and continues to change.</u>** We were trying to plan and execute our 404 testing and compliance while the guidance was still being finalized and released.

- **<u>The threshold for what is considered an exception is too low.</u>** The firms' sampling methodologies provide almost no tolerance for reasonable human errors that occur, even when these errors should not result in a control deficiency within the process.

- **<u>There are conflicts between the requirements of the different sections of SOX.</u>** This makes integration of the SOX requirements difficult. In addition, there is an opportunity to integrate the SOX requirements more closely with financial statement audits. With the addition of section 404 requirements and all the related control testing companies completed, one would expect the scope of the financial statement audit procedures to decline. However, the opposite occurred, whereby our external audit firm performed, in addition to the 404 controls testing, more financial statement audit procedures without any identifiable audit-risk justification.

- **<u>The scope and magnitude of General IT controls do not have clearly defined criteria established by SOX.</u>** The majority of guidance issued focused on process-related matters, causing a lot of ambiguity and questions related to general IT and systems controls. In addition, there is no clear guidance on acceptable frameworks for assessing General IT controls, such as the Information Systems Audit and Control Association's (ISACA) COBIT framework, nor how these controls should be evaluated relative to the financial reporting environment.

- **<u>Inconsistency and lack of coordination between public accounting firms resulted in excessive time and effort.</u>** Public accounting firms can differ significantly in their interpretations of Section 404. For example, there was a delay by public accounting firms interpreting AS2. Additionally, expectations of documentation and testing efforts varied across public accounting firms and industries, which resulted in inconsistencies.

- **<u>Lack of guidance in the following areas resulted in excessive time and effort spent in clarifying and meeting requirements.</u>**
  - Appropriate sample size
  - Acceptable audit evidence when testing a control
  - Testing required for entity-level controls
  - Appropriate update procedures and timing of update testing, or the elimination of this requirement in the event testing was performed reasonably close to a company's assertion date
  - Evaluating deficiencies – more examples on classifying deficiencies, discussion of income statement vs. balance sheet impact of deficiencies, etc.
  - At what level should aggregation be performed
  - Clarification on the timeline for when unresolved issues will increase in significance (e.g. from a Deficiency to a Significant Deficiency)
  - Specific clarification on what constitutes a significant change in a control environment (financial and IT) that requires immediate quarterly testing to assess controls

Jane Windmeier, Sr. VP, Finance, Target