April 28, 2006

Mr. Christopher Cox, Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-9303

Re: File No. 4-511

FILED ELECTRONICALLY (rule-comments@sec.gov)

Dear Mr. Chairman:

We commend the Commission and PCAOB on their decision to host a Roundtable to solicit feedback regarding the second year implementation experience under Section 404 of the Sarbanes-Oxley Act (the "Act") relating to internal control over financial reporting. As you know, Lee Level participated in the Roundtable last year, and will do so again this year. We think the Roundtables are an exceptionally positive step toward obtaining constructive ideas and suggestions from investors, issuers, auditors, regulators and others. We also are encouraged by Commissioners' statements recognizing the significant cost burden of the regulation and the importance of timely and responsive action.

Computer Sciences Corporation (CSC) has actively supported the efforts of the President, Congress, NYSE and SEC to enhance investor confidence, corporate governance, financial reporting and the capital markets. Reliable financial information is fundamental to investor confidence, and effective internal controls are critical to the integrity of financial reporting. While management's representations and auditors' reports on internal control over financial reporting may help improve investor confidence, it is important to balance the cost of the underlying measures with resulting benefits.

The excessive costs companies face in reporting on internal control over financial reporting are a matter of great importance to the U.S. economy, capital markets, investors and overall business climate. The resulting costs, under the current approach are wholly disproportionate to the benefits, as U.S. public companies bear both the costs and distractions of unnecessarily burdensome rules. Layers of implementers have lost sight of the original goals set in response to the fraudulent financial reporting and malfeasance best exemplified by the Enron and WorldCom situations.

Even excluding smaller issuers for which the effective date has been extended, surveys estimate first year costs of compliance were in the tens of billions of dollars, $35 billion according to an American Electronics Association survey. A recent March 2006 survey of 404 practices and costs by Financial Executives International indicated overall costs of compliance declined by only 16% in the second year under 404. While some decline occurred, it was significantly less than some had hoped. The survey also indicates auditor fees declined only 13%. A study commissioned by the Big 4 accounting firms and released on the eve of last year's Roundtable had forecasted a decline of 42% for companies with revenues in excess of $700 million. As a result of these unrealized reductions, 404 compliance costs continue to be in excess of $1 million per $1 billion in revenue. Obviously, the significant cost impact, when the objective can be met for less, adversely affects the competitiveness of U.S. businesses and imposes a drag on our economy. Some companies have, in fact, de-listed their securities, delayed offerings, or turned to capital markets outside of the U.S. Immediate and decisive action by the SEC and PCAOB is critically important.

Following the April 13, 2005 Roundtable, we were initially encouraged by the tenor of the discussions and subsequent SEC and PCAOB guidance endorsing use of a risk-based, top-down approach. We were optimistic this would enable issuers and auditors to leverage reliance on entity and company level controls and significantly reduce testing of low risk, detailed process level transaction controls. The vast majority of both issuer and auditor effort and cost relates to the documentation, testing and evaluation of such process controls, despite the fact that these controls are least effective in addressing the issues which led to the types of financial improprieties witnessed at Enron, World Com, Tyco and others (i.e. fraud, improper financial reporting, conflicts of interest and management override of internal controls).

We hoped the SEC and PCAOB guidance would enable auditors to realign their audit scope and refocus their procedures. The audit profession acknowledged the opportunity to reduce audit fees through more effective integration of their audits of financial statements and internal controls. The profession likewise acknowledged the opportunity to place increased reliance on the work of management and others. Moreover, enhanced planning and coordination between issuers and their auditors, as well as acceleration of issuer testing for higher risk areas, should have resulted in improved audit integration, expanded reliance and significantly lower audit fees. However, at this point most issuers have not yet realized any significant reduction in audit fees.

We remain confident the objectives of these regulatory requirements can be achieved at substantially lower cost, without diminishing the Act's effectiveness. Our recommendations are summarized below. We have integrated some of our previous recommendations with those raised at the Roundtable last April. We have updated and expanded these recommendations and think they offer compelling and pragmatic approaches which could dramatically lower compliance costs, while fully achieving the objectives of the legislation. We think most are wholly consistent with the SEC and PCAOB guidance issued last May and may assist issuers and auditors in more effectively implementing this guidance. Certain suggestions may require refinements to the SEC rule regarding 404, PCAOB Auditing Standard No. 2 and related implementation guidance.

Our recommendations are included as Appendix 1 and address the following areas:

1. **Scope of Management Assessment and Auditor Attestation**
2. **Definition of Significant Deficiency**
3. **Base Lining IT Application Controls**
4. **Streamlining and Integrating Auditors' Opinions**
5. **Increased Reliance on Work of Internal Audit**
6. **Better Integrated Audits of Financial Statements and Internal Controls**
7. **Documentary Evidence**
8. **Section 302 Certification Requirements**

In view of the large and increasing costs and burden on our businesses and economy, it is important immediate action be taken to prevent the potential long-term erosion of U.S. capital markets and competitive position. Many excellent suggestions were raised at the initial Roundtable. It is critically important the SEC and PCAOB pursue recommendations raised at the May 10 Roundtable which could ease this burden and significantly reduce compliance costs.

We thank you for the opportunity to express our views and offer our suggestions. We remain committed to working with the Commission, the PCAOB, other issuers, investors and others on refinements and improvements which will enhance the effectiveness and significantly reduce the cost of these reporting requirements. We would be pleased to discuss at your convenience our recommendations and any questions you may have.

Sincerely,

Leon J. (Lee) Level	Michael E. Keane
Corporate Vice President	Vice President and Chief Financial Officer
Computer Sciences Corporation	Computer Sciences Corporation

Attachment

cc:

The Honorable Cynthia Glassman, Commissioner, Securities & Exchange Commission
The Honorable Paul S. Atkins, Commissioner, Securities & Exchange Commission
The Honorable Roel C. Campos, Commissioner, Securities & Exchange Commission
The Honorable Annette L. Nazareth, Commissioner, Securities & Exchange Commission

1. Scope of Management Assessment and Auditor Attestation

Perhaps the greatest point of leverage in reducing 404 compliance costs lies in the determination of the scope of significant accounts, processes and controls which must be documented and tested as a part of the of an issuer's evaluation of its controls. Modifying the scope of management and auditor evaluation and extent of testing is perhaps the one area which could result in the most significant cost reduction. The Roundtable identified some specific recommendations. These recommendations can be integrated into a more efficient, cost effective and pragmatic approach, as further discussed under item 6, "Better Integrated Audits of Financial Statements and Internal Controls."

First, the scope of management and auditor testing could be based on: (1) a materiality factor equal to 5% of earnings before tax (rather than lower thresholds of 2-2.5% which auditors had implemented to "allow for tolerable error"), (2) a risk based assessment of account balances and related financial statement assertions and (3) assessment of the effectiveness of entity and company level controls. As a practical matter, the types of "tolerable errors" so defined generally are self correcting and non-cumulative, giving further support to the recommended materiality factors within assessed risks and controls.

Second, in determining scope, all significant business unit locations and account balances would be in scope. However, where business unit locations and account balances are determined to have medium or low risk, reliance may be placed on documented entity and company level controls, rather than detailed process level transaction controls, provided such entity and company level controls are effective.

- To achieve testing of all significant process level transaction controls over multiple years, process controls for medium and low risk business unit locations and account balances would be subject to evaluation on a rotation basis.

- Walkthrough procedures would be performed for the account balances and related classes of transactions which are subject to review of process controls in any given year (as set forth in the rotation plan).

- Issuers should be able to rely on supervisory activities. Most large issuers have many layers of review to determine controls are operating effectively and financial reporting is accurate and complete.

During the course of the Roundtable discussion, the Comptroller General of the United States indicated a risk based audit approach has been in use in Government Accountability Office audits of Federal government agencies for some time. The risk based approach is used in tandem with a multi-year rotation plan to determine all areas are subject to audit testing over a multi-year time frame. The approach described above parallels the risk based rotation approach employed by the GAO.

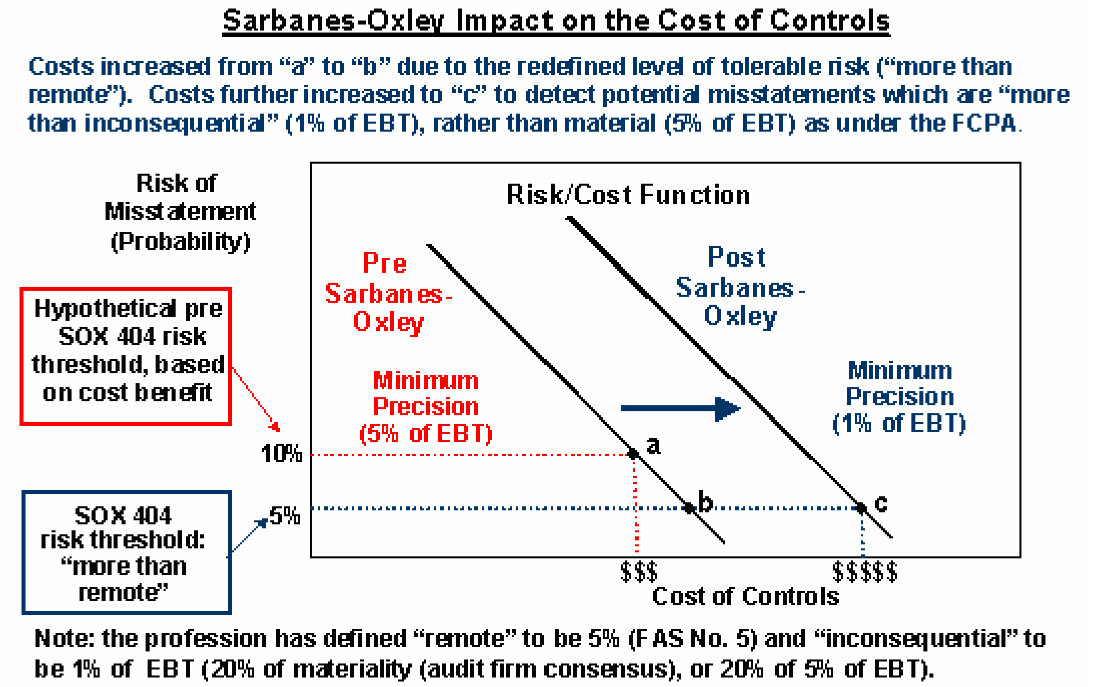
Third, it is critically important the PCAOB provide assurance auditors' good faith judgments will be respected, and, in fact, do so. The PCAOB should actively encourage auditors to place greater reliance on the work of Internal Audit. The collective effect of the implementation refinements discussed above would be to significantly reduce compliance costs while maintaining the effectiveness of these reporting requirements.

2. Definition of Significant Deficiency

The PCAOB standards establish reporting requirements for material weaknesses and significant deficiencies. They effectively require companies to remediate any and all significant deficiencies, using low thresholds involving more than a "remote" probability of a more than "inconsequential" misstatement. This makes it difficult to distinguish more significant deficiencies from matters of far less importance. Moreover, the definition encompasses potential control deficiencies and misstatements which although possible are, in fact, neither likely nor significant. In fact, this overly broad reporting requirement has delayed attaining more important objectives of the legislation. In describing the Act to Congress in July 2002, Congressman Oxley envisioned, "Investors will now get better information and will get it faster." Quite to the contrary, the mounting compliance burden caused the SEC to delay the planned acceleration of reporting deadlines temporarily and contributed to the decision to limit acceleration of quarterly information to a 40 day deadline rather than the original 30 day filing deadline.

As a result of the overly broad definition of significant deficiencies, the cost of implementing, maintaining, monitoring, evaluating and reporting on internal controls has fundamentally increased in two ways. First, Section 404 has brought about a material adverse shift in the financial reporting cost-benefit relationship by essentially requiring companies to detect misstatements in excess of "inconsequential amounts".   The audit profession has defined "inconsequential" to be 20% of materiality, or 20% of 5% of EBT (1% of EBT). Second, the risk threshold encompasses any control deficiencies where potential misstatements are more likely than "remote". Under FAS No. 5, "Accounting for Contingencies," remote had been defined by the profession as a probability greater than 5%. (see "Note" on chart below).

The following chart, from our letter dated March 7, 2005, illustrates the impact of this definition on the cost of controls:



Sarbanes-Oxley Impact on the Cost of Controls

Costs increased from "a" to "b" due to the redefined level of tolerable risk ("more than remote"). Costs further increased to "c" to detect potential misstatements which are "more than inconsequential" (1% of EBT), rather than material (5% of EBT) as under the FCPA.

Note: the profession has defined "remote" to be 5% (FAS No. 5) and "inconsequential" to be 1% of EBT (20% of materiality (audit firm consensus), or 20% of 5% of EBT).

The preceding chart shows the cause of the dramatic increase in cost of controls resulting from one regulatory requirement, i.e., the definition of "significant deficiency." This definition is added to many other layers of requirements, creating unrealistic expectations among investors, auditors, regulators and lawyers. Section 404 of the Act requires management to establish and maintain "an adequate internal control structure and procedures for financial reporting." Instead of an "adequate internal control structure," these expectations were a rush toward complex structures more concerned with documentation involving inconsequential amounts with a nearly remote chance of occurrence.

3. Base Lining IT Application Controls

The evaluation of IT application controls is another area in which significant efficiencies could be achieved. We were hopeful in year two we would be able to apply a "base lining" approach in testing IT application controls. This is a long established, widely accepted practice used in audits of service providers under Statement on Auditing Standards No. 70 ("SAS 70 audits"). Under this approach, if IT application controls have been previously tested (either in conjunction with the initial system implementation or as a part of a subsequent audit), it would only be necessary to test changes in subsequent periods, assuming the auditor has satisfactorily tested IT general controls (including program change controls). We understand the PCAOB has provided informal guidance to audit firms regarding criteria necessary to apply a "base lining" approach. These criteria would require the issuer to demonstrate there have been no changes, not only in the IT application control itself, but also in the rest of the application, data files, tables, interfaces or related applications which could conceivably affect the IT application control. In most cases, satisfying these criteria would be far more arduous than retesting the controls. Moreover, we believe the PCAOB criteria are not only wholly impractical but also unnecessary since program change controls are already subject to testing in conjunction with tests of IT general controls. Many issuers have initiated programs to further centralize, standardize and automate their processes and related controls in an effort to reduce the cost of compliance with 404. As these issuers further automate their systems of controls, modifying these criteria to permit more wide-spread use of a "base lining" approach would provide a powerful means of reducing the cost of compliance. Base lining is also an important aspect of better integrated audits, as further discussed under item 6, "Better Integrated Audits of Financial Statements and Internal Controls."

4. Streamlining and Integrating Auditors' Opinions

After a public company's management completes its assessment of internal controls over financial reporting, management is required to publish its assessment. In addition, the external auditor is required to publish three opinions, i.e., the conventional opinion covering fair presentation of financial statements along with two new opinions covering management's assessment and the auditor's attestation regarding internal controls.

We recommend the auditor be required to form only two opinions, one on the financial statements and the other on the effectiveness of internal control over financial reporting. The auditors' opinion on management's assertion is redundant and does not provide further assurance. The opinion on the effectiveness of internal control over financial reporting provides the most conclusive assurance and is similar to the manner in which the auditor expresses his attestation on fair presentation of the registrant's financial statements. These two opinions should then be integrated into one published opinion (a reporting method which is currently permitted but not required). This approach would serve to further underscore the risk-based, integrated nature of these audits.

5. Increased Reliance on Work of Internal Audit

The scope of the auditor's work under the PCAOB auditing standard is unnecessarily broad as it (1) mandates certain controls be evaluated directly by the independent auditor and (2) restricts the extent of reliance the auditor may place on procedures performed by management, internal audit, or others. In principle, the auditor should be able to place reliance on the work of others after considering their competence, objectivity and independence and performing tests to corroborate the results.

6. Better Integrated Audits of Financial Statements and Internal Controls

Based in part on discussions with peer companies and available survey information, external auditors do not appear to have fully integrated their review of management's assessment and audit of internal control over financial reporting with their financial statement audit. It seems information obtained in each audit is considered in performing and evaluating the results of the other audit. However, it appears these audit procedures could be more fully integrated to eliminate duplication and overlap, and achieve improved efficiency. Using a principles-based method permitting good faith judgments, the PCAOB should clarify how auditors may place more reliance on an effective system of internal controls when determining the nature, timing, and extent of auditing procedures with respect to specific financial statement account balances and classes of transactions and related assertions.

7. Documentary Evidence

Another area of potential improvement relates to emerging requirements of independent auditors for documentary evidence of controls. Essentially, in the absence of documentary evidence, the audit profession has taken the position undocumented controls must be presumed to be ineffective. This is a significant 404 compliance issue for most companies and will continue to increase costs if reasonable standards are not adopted. For example, the absence of supervisory sign-off on an account reconciliation may be deemed a significant deficiency, even though the supervisory review had, in fact, been performed and, therefore, the control was operating effectively. In fact, the COSO framework explicitly recognizes controls may be quite effective despite the absence of documentary evidence (page 73):

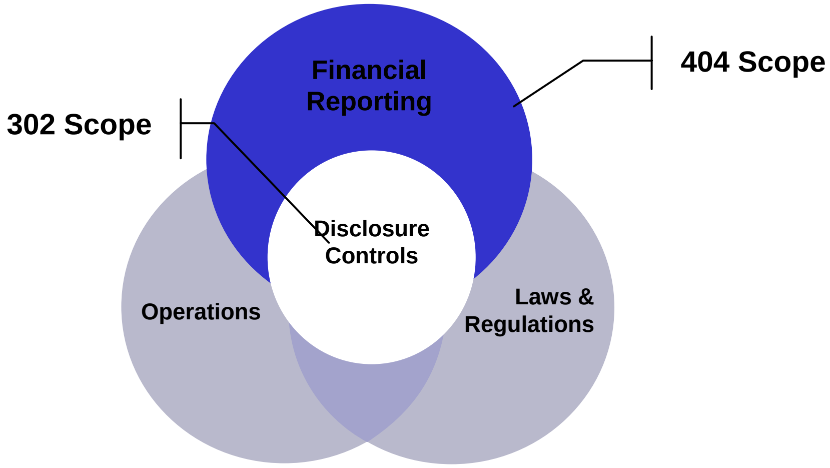
> Many controls are informal and undocumented, yet are regularly performed and highly effective. These controls may be tested in the same way documented controls are. The fact controls are not documented does not mean that an internal control system is not effective or that it can not be evaluated.

8. Section 302 Certification Requirements

We also would like to repeat and expand upon the concern raised in our March 31, 2005 letter regarding Section 302 certification requirements. In the initial 404 proposed rule, the Commission proposed issuers report quarterly on their internal control over financial reporting. In the final 404 rule, the Commission eliminated the quarterly reporting requirement and replaced it with an annual reporting requirement, primarily due to the level of effort quarterly reporting would require. This level of effort would have resulted in a materially higher compliance cost while posing a nearly impossible logistical challenge for most issuers.

In eliminating quarterly reporting under Section 404, the subsequent representations under Section 302 were expanded to require issuers to either (1) disclose any changes in controls which could materially affect the company’s internal control over financial reporting, or (2) indicate no such changes had occurred. While this eliminated a potentially significant burden under Section 404, it has replaced it with a potentially more onerous burden under Section 302 quarterly certification requirements. There is a wide range of opinions as to the level of diligence management must undertake to satisfy 302 certification requirements. Ironically, the most extreme of these would require nearly the level of effort necessary to, in fact, issue a separate report on internal control over financial reporting each quarter. This was obviously not the Commission's intent, and should be clarified accordingly. We recommend quarterly procedures be limited to those necessary to satisfy disclosure requirements for material changes.

Similarly, further clarification of Section 302 certification regarding disclosure controls and procedures (DC&P) would be beneficial. There is, of course, substantial overlap between internal control over financial reporting and disclosure controls and procedures (shown graphically below).



Again, there is a wide range of opinions as to the required level of diligence necessary to substantiate management's DC&P certifications. Some auditors seem to be advocating issuers perform extensive testing on a quarterly basis of both internal controls and disclosure controls and procedures. Again, we do not think this is consistent with the Commission's intent or the views expressed by members of the Commission and the PCAOB at the Roundtable.

We recommend the Commission consider the following alternatives:

- Modify the quarterly certification requirements to focus on disclosure controls and procedures, the original focus of the certification requirements, or alternatively, clearly limit the certification as to material changes in internal controls to the best knowledge and belief of the officers executing the certification. We strongly recommend the Commission afford issuers a safe harbor provided the issuer meets a minimum standard of diligence.

- Clarify issuer diligence requirements concerning Section 302 certifications regarding the effectiveness of disclosure controls and procedures.