

Submitted to OMB a 2/12/09

Cost / Benefit Interviews - Users

Introduction

- Welcome interviewee and introduce interviewers
- Thank interviewees for participating
- Before we get started, we need to cover just a few points regarding this discussion:
 - o First, although we will be asking you questions about your experiences with Section 404 reporting, it is important to note that to the extent you hear anything that sounds like we are expressing a particular view, they are our own views and do not necessarily represent the views of the Commission or the Commission's Staff.
 - o Also, we will be taking notes during the meeting to be sure we recall the important information that you share with us.
 - o Finally, as you know, your participation in this meeting and in responding to any particular question is voluntary.
- Confidentiality Statement: The purpose of this interview is to gather information for use by SEC staff relating to its evaluation of the consequences of rules relating to Section 404 of the Sarbanes-Oxley Act. There is no other intended purpose. The SEC will seek to keep confidential to the extent allowable under applicable laws (i) the identity of all interviewees and (ii) any data which would identify the interviewee. Interview responses that do not identify the interviewee and the various aggregate statistical findings of the study may be made public by the SEC or its staff.
- A. In order to better understand your responses to our questions, can you please describe your role with your company and the types of decisions you are responsible for making?

(A) _____

Investors/Analysts/Credit Rating Agencies/Lenders

Use of information provided by existing disclosures

- We would like to begin by asking you about your experiences with the disclosures required by the Sarbanes-Oxley Act of 2002. The disclosures provided by the officer certification requirements of Section 302 and 906 of the Act as well as the information included in management's report on internal control over financial reporting and the independent auditor's report on internal control over financial reporting, if applicable, provide users with information and assurance about a company's financial reporting.
1. Do you currently use the disclosures provided by companies and auditors that are specifically required as a result of the Sarbanes-Oxley Act?
 - o Yes - How? (e.g., who reviews this information; what mechanisms are in place for highlighting unusual information; are there "experts" others go to for interpretation of these disclosures?)
 - o No - Are there any conditions under which the disclosures might be useful?

(B) _____

2. How do the disclosures about a company's internal control influence your decisions?
 - o [Allow respondents to answer freely, but prompt with the following questions if they do not address the applicable topics on their own.]
 - o [Note: The percentage of accelerated filers reporting ineffective ICFR has trended down every year, now at 7% in year 4. About 25% of non-accelerated filers reported ineffective ICFR this past year in their first year of compliance.]
 - a. Do they communicate what you would like to know?
 - b. Do the disclosures provide sufficient information about a company's ICFR?
 - c. Do the disclosures provide information about a company's ICFR in a timely manner?
 - d. Do you take the presence or absence of a material weakness into account when making decisions or preparing recommendations and reports?
 - e. How does the specific content of management's report (existence or lack of a material weakness, number and nature of material weaknesses, etc.) influence your decisions?
 - f. For those disclosing material weaknesses, does the presence/absence of additional disclosure regarding remediation influence your decisions?
3. How are your analyses and decisions influenced by the inclusion of management's report on ICFR? How are they influenced by the inclusion of an auditor's ICFR attestation report?
 - a. Is the existence or lack of an auditor's attestation considered in your decision-making?
 - b. Are your terms, recommendations, or ratings affected by whether or not companies have their auditors attest on ICFR?

(D) _____

4. Are there ways the disclosures can be enhanced to increase their usefulness?

Benefit - Management's Assessment

We would now like to talk about your experiences with the information provided by management resulting from their responsibility to provide an assessment of the effectiveness of ICFR.

5. What are the benefits you have realized from the requirement that management provide an assessment of the effectiveness of ICFR?
 - o [Allow respondents to answer freely but prompt with the following questions if they do not address the applicable topics on their own.]
 - a. Do you believe requiring management to report on ICFR has improved the accuracy and reliability of financial reporting? (Please explain and if so, indicate to what degree.)

(C) _____

- b. Do you believe management's ICFR evaluation process has resulted in an increased ability of companies to prevent and detect misstatements due to *fraud*? (Please explain and if so, indicate to what degree.)
- c. Do you believe management's ICFR evaluation process has resulted in an increased ability of companies to prevent and detect material misstatements due to *error*? (Please explain and if so, indicate to what degree.)

Benefits – Independent Audit of ICFR

Now that we understand your views about the requirements for management, we would like to understand your experiences resulting from the requirement for companies to obtain an independent audit of the effectiveness of their ICFR, when applicable.

6. What are the benefits you have realized from the requirement that management obtain an independent audit of the effectiveness of ICFR?
- o *[Allow respondents to answer freely, but prompt with the following questions if they do not address the applicable topics on their own.]*
 - a. How does requiring an auditor's attestation on ICFR impact the accuracy and reliability of financial reporting? (Please explain)
 - b. How does requiring an auditor's attestation on ICFR impact the ability of the company to prevent and detect material misstatements due to fraud or error? (Please explain)
 - c. Does the integrated audit provide increased confidence in the quality of the financial statement audit? (Please explain)

7. Who is the primary beneficiary of the auditor attestation?

- a. Who are some additional beneficiaries?
- b. What is the nature of the benefit?

8. What would you estimate is the incremental benefit of requiring an independent audit of the effectiveness of ICFR given that management is already required to conduct its own assessment?

9. Do you believe that management's report on the effectiveness of its ICFR is reliable without a corresponding independent audit of ICFR? (Please explain)

Benefits – Company Size

10. Are the answers to any of the previous questions about the benefits provided by the requirements for management or auditors different depending upon the size of the company being considered? Are the benefits of complying with 404 dependent upon whether the company is an accelerated or non-accelerated filer?

Changes since initial 404 implementation

Now that we have discussed the benefits of 404, we would like to explore how your decision-making has evolved over time since the initial implementation of the Section 404 requirements of the Act.

11. What changes have you observed or put in place since the initial implementation of the Act with regard to how you evaluate and use the internal control information provided by issuers?
12. Have you seen a change in the realized benefits from 404 in 2008 compared to previous years? To what do you ascribe the changes?
13. How, if at all, does your decision-making process differ when dealing with non-accelerated filers? How has the fact that non-accelerated filers are not yet required to have an independent audit of its ICFR affected your decisions?
14. The PCAOB released Auditing Standard No. 5 in May 2007 and the SEC released its "Management Guidance" in June 2007. Do you have a view about whether the timing of the release of the "Management Guidance" and AS 5 allowed companies and auditors to realize their full benefits in 2007?
- a. Are you aware of additional efficiencies realized in 2008? (If so, in what areas?)

Costs

We would next like to discuss your perceptions about the costs of complying with 404.

15. From your perspective, do you believe the costs associated with complying with 404 are an appropriate use of the company's resources? (Please explain)
16. Do you have a view about whether audits of ICFR under Auditing Standard No. 5 are being performed efficiently?
- a. Why or why not, and in what areas can further efficiency be realized?
 - b. If not, do you have views on whether they can be?
17. Overall, do you believe the benefits of auditor attestation exceed the costs? (Please explain)
- a. Does your answer depend upon whether the company is an accelerated or non-accelerated filer? (Please explain)
18. Has your perception of the net benefit or cost of compliance with 404 changed since the initial implementation of the Sarbanes-Oxley Act?
19. Do you have a view about whether 404 is unduly discouraging companies, private and/or foreign, from entering U.S. capital markets?

Perceptions about public concerns

The final series of questions we would like to discuss relate to your perceptions about the concerns identified in various public forums.

- ⑥
20. Do you believe management of public companies appropriately acknowledges the benefits of complying with 404?
21. Some are critical of the 404 requirements and believe their costs far outweigh their benefits. Do you agree with these views?
- a. Are public statements that are critical of the 404 requirements consistent with the internal statements made by management in connection with your business relationships? For example, have you seen instances where members of management use compliance with 404 as arguments to support more favorable lending terms, ratings, or recommendations?
22. Do you believe 404-compliance had an effect on the number of restatements since the initial implementation of 404? If so, was compliance with 404 helpful in identifying meaningful restatements?

Concluding questions

- ⑥
23. Do you think the benefits of requiring non-accelerated filers to obtain an independent audit of the effectiveness of its ICFR would outweigh the costs?
- ⑦
24. Are there any other issues related to 404 we have not covered that you would like to discuss?