CENTER FOR AUDIT QUALITY
Serving Investors, Public Company Auditors & the Markets

March 30, 2012

David L. Landsittel, Chairman
Committee of Sponsoring Organizations of the Treadway Commission

Re: COSO Internal Control – Integrated Framework

Dear Chairman:

The Center for Audit Quality (CAQ) is an autonomous public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high quality performance by public company auditors, convenes and collaborates with other stakeholders to advance the discussion of critical issues requiring action and intervention, and advocates policies and standards that promote public company auditors' objectivity, effectiveness, and responsiveness to dynamic market conditions. Based in Washington, D.C., the CAQ is affiliated with the American Institute of Certified Public Accountants.

The CAQ appreciates the opportunity to provide feedback to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on the exposure draft of the Internal Control-Integrated Framework (the Updated Framework). This letter represents the observations of the CAQ, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

We commend COSO and the other authors for their hard work in developing the Updated Framework. We believe the numerous enhancements made, most significantly the codification of internal control concepts from the 1992 *Internal Control – Integrated Framework* (the Original Framework) into 17 principles, with supporting attributes, will benefit organizations in establishing effective internal control and improving performance in an increasingly complex and changing environment.

We have certain overall observations that we believe will enhance the Updated Framework and have organized these observations and comments as follows:

- Transition Guidance
- Assessing Effectiveness
- Information Technology
- Guidance on Monitoring Internal Controls
- Application to Smaller Organizations

In addition, we have provided more detailed comments in Appendix A to this letter.

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TRANSITION GUIDANCE

As mentioned above, the CAQ is supportive of COSO's efforts to update and enhance the Original Framework. While we understand COSO intends the Updated Framework to be an enhancement to the Original Framework, we believe the Updated Framework does not provide sufficient guidance regarding the transition from the Original Framework to the Updated Framework. Absent clarity with respect to how the two frameworks are intended to be used, we believe there could be inconsistent application by entities that have a requirement to evaluate and externally report on the effectiveness of internal control, as well as potential confusion amongst users of those reports. For example, without clarity some organizations may continue to utilize the Original Framework, while other organizations may utilize the Updated Framework. The codification of the concepts introduced in the Original Framework into principles and underlying attributes in the Updated Framework, could result in entities coming to different conclusions with respect to whether their system of internal control is effective, depending on which framework is utilized. Moreover, we believe that users of the external reports on effectiveness of internal control (e.g. investors in U.S. issuers) could view the frameworks as providing differing expectations for what constitutes an effective system of internal control.

Given these potential outcomes, we encourage COSO to work with the Securities and Exchange Commission (SEC), and other regulatory agencies as necessary, to consider guidance/clarification regarding the validity of the Original Framework subsequent to the issuance of the Updated Framework.

ASSESSING EFFECTIVENESS

An important element of the Updated Framework is an organization's assessment of the effectiveness of its internal controls. This is particularly important for those companies who have external reporting responsibilities (e.g., U.S. public companies). While we note that the Updated Framework recognizes this important concept, we believe that the discussion could be enhanced in the following areas:

Consideration of Principles and Attributes in Assessing Deficiencies in Internal Control

We believe that the inclusion of the principles and attributes, including the presumption that they are present and operating effectively, could increase the complexity of the evaluation process. As such, we believe COSO should provide additional considerations as to how an organization should consider weaknesses in - or absence of - a principle or attribute when evaluating effectiveness. Moreover, we also believe COSO should provide additional guidance related to the following concepts:

- *Range of Acceptability* – Paragraph 77 of the Updated Framework notes that a principle that is present and functioning operates with a "range of acceptability." However, we also note that the Updated Framework lacks guidance regarding appropriate ranges of acceptability, particularly as it relates to the consideration of risk tolerance and reasonable assurance when evaluating the "range of acceptability." Moreover, the Updated Framework lacks examples that provide insight on the application of the "range of acceptability" concept. We believe that without additional guidance, user application of the "range of acceptability" concept may vary, which could result in inconsistent effectiveness assessments. Therefore, we believe the Updated Framework should clarify the "range of acceptability" concept and provide illustrative examples.

- *Consistent Application of a Principle* – Paragraph 76 of the Updated Framework states, "determining whether a principle is present and functioning implies that the organization…applies the principle consistently across the organization." We believe that organizations may employ multiple methods to apply a principle due to a variety of reasons, such as varied operating models, information systems, as well as cultural differences. The language in paragraph 76 could imply that the implementation of a particular principle should be standardized, which would appear to contradict the guidance in the framework itself and could potentially complicate the assessment process. We believe COSO should clarify what is intended by this statement in the context of an organization's assessment.

- *Major and Minor Non-Conformities* – To assist in its assessment of effectiveness, the Updated Framework suggests that organizations evaluate whether non-financial reporting deficiencies represent "major" or "minor" non-conformities. We believe that two types of non-conformities (i.e. major and minor) may not be reflective of the multiple variations of non-conformity that may exist within most organizations, regardless of their size and complexity. To illustrate the differences between the two types of non-conformities, the Updated Framework provides a number of illustrative examples.[1] However, we do not believe these examples provide sufficient context to evaluate situations where controls have failed to operate as designed to such a degree that an organization's ability to accomplish its objective is adversely affected. For instance the examples do not provide information regarding how an entity would determine the significance of a given non-conformity in relation to the respective principle and objective, or in relation to the entity's risk tolerance. We believe that users of the Updated Framework would benefit from clarification acknowledging the range of potential non-conformities, and enhancements to the examples to include additional background to better illustrate the rationale for their classification and its effect on an organization's assessment.

Deficiencies in Internal Control over Financial Reporting

The Updated Framework segregates deficiencies in an organization's internal control over financial reporting from deficiencies in other components. As part of this segregation, the Updated Framework incorporates the three tiers of deficiencies used by the SEC and the PCAOB related to external assessments required by Section 404 of the Sarbanes-Oxley Act of 2002. We do not believe that the incorporation of these three tiers is appropriate as it unnecessarily links the Updated Framework to a U.S. regulatory reporting framework and could risk obsolescence of the Updated Framework based on future regulatory changes. Given the prevalent use of the Original Framework around the world, we believe that it would be more appropriate for the Updated Framework to consider deficiencies across all components consistently. To the extent further guidance tailored to the financial reporting component is deemed necessary, we believe that providing such guidance in COSO's upcoming external financial reporting guidance would be more appropriate.

INFORMATION TECHNOLOGY

We understand that the Updated Framework was enhanced, in part, due to the advances in technology and its impact on internal controls. While we recognize the need to create a framework that will withstand the test of time, particularly technological changes, we suggest that COSO enhance their description of Principle 11 that addresses controls over information technology. Specifically, we suggest enhancing the description of attributes within the Updated Framework to include general information technology control objectives such as controls over security, change management, systems development and deployment, operations, data backup and recovery, application controls, and end-user computing. We also suggest that the Updated Framework describe risks associated with such controls and other risks unique to information technology - both from a financial reporting perspective as well as an operations perspective - for large, small, complex, and less-complex environments.

[1] Paragraphs 88 – 89, COSO Internal Control – Integrated Framework (December 2011).

GUIDANCE ON MONITORING INTERNAL CONTROLS

We note that many of the concepts included within COSO's *Guidance on Monitoring Internal Control Systems* (Monitoring Guidance) are not included within the Updated Framework. Considering that the Monitoring Guidance will continue to be applicable after the Updated Framework's release, we believe that users of the Updated Framework would benefit from the incorporation of key concepts and/or references from the Monitoring Guidance, particularly within the Monitoring Activities control component. We believe this could help avoid any unintended inconsistencies between the Monitoring Guidance and the Updated Framework and also provide a reference tool for users of the Updated Framework.

For example, paragraph 380 within the Updated Framework notes that "Many entities with sound ongoing evaluations will nonetheless conduct separate evaluations of the components of internal control. An entity that perceived a need for frequent separate control evaluations may consider identifying ways to enhance ongoing evaluations." These statements appear to indicate that separate evaluations are not needed, depending on the effectiveness of the entity's ongoing monitoring. We believe this is inconsistent with the Monitoring Guidance which indicates that, "when ongoing monitoring is effective, periodic separate evaluations are used as necessary to reconfirm the conclusions reached through ongoing monitoring."[2] We believe this inconsistency could result in misunderstanding and misapplication of the Monitoring Activities control component and potentially result in entities coming to different conclusions with respect to whether internal control is effective. As such, we recommend that the Updated Framework provide clarification regarding an entity's consideration of the use of separate evaluations and ongoing monitoring when designing and implementing its system of internal control. We believe this can be achieved by incorporating key concepts and/or references from the Monitoring Guidance, as discussed above.

APPLICATION TO SMALLER ORGANIZATIONS

We note that the Updated Framework generally acknowledges the difference in internal control between larger and smaller organizations,[3] including differences in documentation[4] and the complexities of segregating duties at a smaller organization.[5] However, we also note that the Updated Framework provides limited guidance with respect to other areas of internal control in which differences exist between smaller and larger organizations. A few examples include:

- *Internal audit function* – We note that the Updated Framework includes a number of references to an organization's internal audit function. We agree that, if present and operating effectively, an internal audit function can contribute meaningfully to an organization's control environment and be an important component of its monitoring activities. However, while the Updated Framework acknowledges that an organization may not have an internal audit function, it appears, in certain instances, to indicate that an internal audit (or similar) function is an integral part of an effective system of internal control. For example, in a general discussion about how the Updated Framework could apply to smaller and larger organizations, paragraph 102 appears to indicate that a smaller organization would simply have a smaller internal audit function (or similar outsourced function) as compared to a larger entity (paragraph 102). In addition, paragraph 154 characterizes internal audit as "the third line of defense" against the failure to achieve an entity's objectives. We believe that both of these discussions could imply that internal audit (or similar) functions are necessary for an effective system of internal control, regardless of an organization's size.

[2] Paragraph 46, COSO, Guidance on Monitoring Internal Control Systems (January 2009).
[3] Paragraphs 100 – 102, COSO Internal Control-Integrated Framework (December 2011).
[4] Paragraph 113, COSO Internal Control-Integrated Framework (December 2011).
[5] Paragraph 305, COSO Internal Control-Integrated Framework (December 2011).

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- *Composition of Board of Directors* – Paragraph 143 states that "it is necessary that the board contain outside directors" and that "it is important that the board contain at least a critical mass of outside directors." While the Updated Framework recognizes that not all smaller organizations will be able to comply with this requirement, it does not include alternatives to outside directors that would provide a comparable level of oversight. For example, many smaller organizations will not have the means to maintain a substantive presence of outside directors on their boards. Moreover, other smaller organizations (e.g., some smaller broker-dealers) may lack a formal board governance structure altogether.

- *Consideration of Objectivity* – Paragraph 391 describes a variety of approaches to perform separate evaluations, including "self-assessments." Paragraph 391 also states that "Since self-assessments have less objectivity than other separate evaluation approaches, the evaluator or those using the report will determine the weight and value to be placed on the results."

  We note that the concept of evaluating the "weight and value" of monitoring activities is based, in part, on the objectivity of evaluators, and represents an integral part of developing and implementing effective monitoring techniques. However, we do not believe that the Updated Framework provides guidance with respect to how organizations should consider objectivity when evaluating the "weight and value" of other monitoring techniques, outside the self-assessment discussion above. Smaller organizations often employ monitoring techniques using less objective evaluators, and we are concerned that without additional clarification, smaller organizations may find it challenging to implement effective monitoring controls within their internal controls.

Without more appropriate guidance regarding the scalability of the Updated Framework for smaller organizations, we are concerned that smaller organizations may find it challenging to apply the Updated Framework's enhancements, which could lead to inconsistent conclusions by management on the effectiveness of internal control. Therefore, we recommend that COSO enhance the Updated Framework with a focus on smaller organizations, providing, when necessary, clarification regarding the application of principles and related attributes at smaller organizations. This could include providing illustrative examples of how certain principles and/or attributes can be scaled to apply to smaller organizations.

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We appreciate the opportunity to comment on the Updated Framework and welcome the opportunity to respond to any questions regarding the views expressed in this letter.

Sincerely,

Cynthia M. Fornelli

Cynthia M. Fornelli
Executive Director
Center for Audit Quality

cc:

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James R. Doty, Chairman
Lewis H. Ferguson, Board Member
Jeanette M. Franzel, Board Member

Jay D. Hanson, Board Member
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Appendix A – Other Comments

#	*Topic*	*Commentary*
		Reasonable Assurance
1	**Management Override**	Paragraph 22 recognizes the inherent limitations within a system of internal control. Although we generally agree with this concept, we have concerns with the following statement, "Further, if management is able to override controls, the entire system may fail. In other words, even an effective system of internal control can experience a failure." We believe this sentence could create confusion with users of the Updated Framework, as it could lead to misinterpretation of "reasonable assurance" and imply that specific controls that could prevent or detect collusion or management override are less important or not necessary in an effective system of internal control.
		Control Component - Control Environment
2	**Outsourced Service Providers**	Paragraphs 128 – 130 detail communication and reinforcement of standards of conduct to all levels of the organization, including outsourced service providers. Moreover, these paragraphs explicitly state that management is "ultimately accountable" for the activities of their outsource providers and "retain responsibility for the performance of processes that it has delegated to outsider service providers."[6] While we agree that management retains responsibility for the work of the service provider, we believe management has limited ability to control or influence the control environment at the service provider. As such, we are concerned that such requirements extend management's responsibility to develop, maintain, and assess internal controls, beyond the intended scope of the Updated Framework and could impact management's assessment of the effectiveness of internal control.

[6] Paragraph 130, COSO Internal Control-Integrated Framework (December 2011).

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Control Component - Risk Assessment		
3	**Enhancing Internal Controls**	Paragraph 195 states that "identifying and assessing potential opportunities is not part of internal control." We are concerned this statement could suggest that users of the Updated Framework are not responsible for enhancing their systems of internal control. We believe, at a minimum, that the Updated Framework should provide additional clarity regarding the rationale for this statement.
4	**Residual Risks and Risk Tolerance**	Paragraph 242 provides a brief overview of residual risk. Many organizations struggle with the concept of residual risk, leading to inconsistent application and inadequate reporting from both a financial and non-financial reporting perspective. We believe that users of the Updated Framework would benefit from additional guidance, clarification, and examples regarding the application of residual risk and its impact to an organization's risk assessment process. We also note that the Updated Framework provides an overview of risk tolerance,[7] but is silent regarding the concept of risk appetite. The concepts of risk tolerance[8] and risk appetite[9] are often used in the same context by directors, as well as senior management, yet some organizations struggle with articulating and reporting on these concepts leading to inconsistent application and inadequate reporting from both a financial and non-financial reporting perspective. Therefore, we recommend enhancing the Updated Framework to provide additional clarity regarding the application of risk tolerance and introduce the concept of risk appetite, with appropriate examples. Moreover, we also believe users would benefit from additional risk tolerance (and risk appetite) examples that focus on interactions with other processes, including financial reporting and regulated activities, as opposed to the examples currently included within the Updated Framework that focus on deliveries, training, and customer complaints.[10]

[7] Paragraph 199, COSO Internal Control-Integrated Framework (December 2011).
[8] "Risk tolerance is the acceptable variation relative to performance to the achievement of objectives," page 138, Glossary, COSO Internal Control-Integrated Framework (December 2011).
[9] "Risk Appetite is the amount of risk an organization is willing to accept in its pursuit of value," page 1, COSO's Enterprise Risk-Management, Understanding and Communicating Risk Appetite (January 2012).
[10] Paragraph 202, COSO Internal Control-Integrated Framework (December 2011).

5	**Assessing Fraud Risk**	We note that the discussion within Principle 8 (Assessing Fraud Risk) details the consideration of fraud in assessing risks, particularly focusing on risk associated with fraudulent reporting, safeguarding of assets, and acts of corruption. However, we believe that the discussion within Principle 8 lacks the consideration of other known fraud risks, particularly risks associated with economic incentives that may elicit unethical or inappropriate behavior (e.g., intentional misconduct, illegal acts). For example, the discussion within Principle 5 (Enforces Accountability) describes the concept of enforcing accountability through the use of incentives and rewards. The discussion within Principle 5 also describes the inherent pressures faced by management and directors toward the achievement of objectives. We believe pressures to achieve the organization's objectives can increase fraud risks, especially if coupled with lucrative incentive plans. However, we believe the discussion within Principle 8 is silent in this regard. Moreover, we believe the discussion within Principle 8 lacks the consideration of management negligence, which can increase the opportunity for fraud. We believe that users of the Updated Framework would benefit from the expansion of the discussion within Principle 8 to consider such known fraud risks, particularly as it relates to economic incentives and the consideration of management negligence, and their relationship to other control components.
6	**Entity-Level and Transactional-Level Risks**	Paragraphs 228 through 234 describe entity-level and transactional-level risks. However, we note that paragraph 232 of the Updated Framework specifically states that transaction-level risks "…are identified at the transaction level within subsidiaries, divisions, operating units, or functions," but is silent regarding similar risk identifications for entity-level risks. We believe that entity-level risks can exist at many levels of the organization, such as a subsidiary or business unit levels, and are not restricted to an organization's parent level. Moreover, transactional-level risks often exist at an organization's corporate or parent level, in addition to the subsidiary, division, operating unit, etc. Therefore, we recommend enhancing the Updated Framework's entity-level risk discussion to specifically include clarification that entity-level risks can be identified within subsidiaries, divisions, operating units, or functions, and that transactional-level risks can also be identified at the entity-level.
7	**Formal and Informal Processes**	Paragraph 270 references the concept of informal and formal processes used in identifying and assessing factors that can significantly affect an entity's ability to achieve its objectives. While we recognize that informal processes exist at some organizations, and can assist in identifying and mitigating risks, we believe that an organization's reliance on informal processes may give it a false sense of security to mitigate certain threats. Therefore, we recommend that the Updated Framework reinforce the concept of using formal processes, where practical, to identify and assess factors that can significantly affect an entity's ability to achieve its objective.

Control Component – Control Activities		
8	**Control Activities and Other Components**	Paragraph 278 discusses the interrelationship between control activities and the Risk Assessment control component, but is silent regarding the interrelationship between control activities and the other control components. Control activities should exist across each of the control components. Therefore, we believe that users of the Updated Framework would benefit from an expanded discussion of the interrelationship between control activities and other control components.
9	**Business Process**	We note that the Updated Framework discusses business processes, including business process control activities, and the integration of internal controls within such business processes.[11] We believe it is important for users of the Updated Framework to clearly understand the distinction between business processes and control activities (e.g., transaction control activities, controls activities at different levels) to assure achievement of their business objectives. For example, performing a reconciliation procedure may be considered both a business process and a control activity. However, we do not believe that the Updated Framework provides appropriate clarity regarding these distinctions and believe that users would benefit from additional guidance that would clearly articulate the distinctions between business processes and control activities. We also believe that the Updated Framework does not adequately address the impact that changes in business processes can have on a system of internal control. For example, when moving from a manual time reporting process (in which time cards are manually approved by a supervisor) to an electronic time reporting system, (in which manual reviews are no longer applicable) management should consider the development of new controls, as a result of the change in business processes, which within our example could require management to implement non-manual review procedures (i.e., electronic signature). We believe that users would benefit from enhancement to the Updated Framework to consider the impact that business process changes could have on a system of internal control.
10	**Higher Level Control Activities**	Paragraph 298 discusses control activities that operate at higher levels within an organization, specifically referencing "business performance or analysis reviews" as examples of such higher level control activities. However, we believe that these examples could also be considered monitoring activities, which could create confusion regarding their intended purpose. We believe that users of the Updated Framework would benefit from clarification regarding the distinctions between higher level control activities and monitoring activities, with possible examples illustrating these distinctions.

[11] Paragraphs 283 – 290, COSO Internal Control-Integrated Framework (December 2011).

11	**Principle 12 (Deploys through Policies and Procedures)**	We have two observations regarding Principle 12. First, Principle 12 states that an organization "deploys control activities as manifested in policies." We believe that this statement is unclear and could result in confusion regarding the distinction and interrelationship between policies and control activities. Second, Principle 12 lacks discussion regarding the risks associated with policies. For example, risks exist with respect to policies that are outdated, that exist but are not reflective of actual practices, or that are not effectively communicated or enforced. We believe that users of the Updated Framework would benefit from an expanded discussion regarding these risks.
Control Component - Information and Communication		
12	**Principal 15 (Communicates Externally)**	We believe the definition of Principle 15 does not clearly describe its intended purpose. For instance, Principle 15 lacks guidance regarding the forms of communication with external parties or clarity regarding matters affecting the function of other components of internal control. To help provide for consistent user application, we believe it is important for all 17 principles to be clearly described. Therefore, we recommend modifying the language of Principle 15 to further clarify its intended objective.
13	**Information Quality**	Paragraphs 345 and 346 detail the importance of information quality within an effective system of internal control, particularly as it relates to the Information and Communications control component. However, we also note that the Updated Framework lacks detail regarding the importance of information quality within the application of the other control components. We believe high quality information is an important element within a system of internal control, as poor quality information could result in entities not achieving objectives and in controls not operating effectively. Therefore, we recommend revisions to the Updated Framework to include the notion that information quality should be considered within all five control components.
14	**Outbound Communication**	Paragraph 366 details the importance of external communication in the context of allowing external parties to understand the importance of internal control to the entity that is communicating the information to them.[12] However, we believe this section does not take into consideration the importance of external communication (e.g., timing, frequency, type of communication). Controls should be designed to support the achievement of the entity's objectives, before an entity distributes or communicates financial information to a stakeholder. For example, if controls are not in place regarding the nature, content, and timing of an earnings call, this could impact the ability of the entity to access the capital markets, which may be an objective of the entity. Therefore, we recommend expanding the "Outbound Communication" section to include additional focus on external communication and consideration of other factors (e.g., timing, frequency, types of communications).

[12] Paragraph 366, COSO Internal Control-Integrated Framework (December 2011).

Control Component - Monitoring Activities		
15	**Examples of Monitoring Activities**	Paragraph 387 provides illustrated examples of ongoing evaluations, which appear to be presented as monitoring activities. However, we believe these examples could also be considered detective controls, rather than monitoring activities (as they are focused on error detection as opposed to whether the control is operating effectively). Moreover, within paragraph 378, it is unclear why the example of management semi-annually evaluating supervisor training requirements is considered a monitoring activity over the supervisor's periodic review of the accounts payable reconciliations. If it was COSO's intention to provide examples of monitoring activities, we believe these examples should be revised accordingly. Moreover, we believe that the effectiveness of the examples could be enhanced further if controls were clearly identified, as it is important to illustrate that preventive or detective controls should be in place before monitoring controls, as outlined in paragraph 377 and illustrated within paragraph 378.
Limitations of Internal Control		
16	**Inherent Limitations of Internal Controls**	We note that paragraphs 403 – 414 describe the inherent limitations of internal controls. However, we note that this discussion lacks the notions that internal controls should be designed to mitigate internal control limitations and that it is management's responsibility to monitor such limitations and related controls. We are concerned that, without such dialogue, this section could suggest that internal controls cannot be designed to mitigate limitations of internal control and that it is not management's responsibility to monitor and manage such limitations.
COSO White Paper "Enhancing Board Oversight: Avoiding Judgment Traps and Biases"		
17	**Management's Judgment**	We commend COSO on the release of its white paper *Enhancing Board Oversight: Avoiding Judgments Traps and Biases* (the White Paper), intended "...to improve board oversight of management's judgments by raising board member awareness of important insights that can improve the judgment of experienced business executives and board members,"[13] which highlights "common pitfalls and biases in judgments to which decision makers are vulnerable and provides an overview of actions and steps that boards can take to avoid falling prey to them."[14] However, we note that the Updated Framework is relativity silent regarding the consideration of management judgment, particularly as it relates to common pitfalls and biases in judgments. We believe users of the Updated Framework would benefit from COSO incorporating these concepts from the White Paper into the Updated Framework, possibly within the Control Environment control component.

[13] Introduction, Enhancing Board Oversight: Avoiding Judgment Traps and Biases (March 2012).
[14] Ibid.

Framework Usability		
18	**Summaries of Principles and Attributes**	We note that each control component chapter concludes with a "Summary of Principles and Attributes," intended to summarize the key principles and attributes related to each control component. However, we also note that many of the attributes listed within these summaries are only briefly referenced within the control component chapters, creating some ambiguity regarding the importance of these attributes. For example, the second attribute under Principle 10 (Determine Relevant Business Processes)[15] and the third attribute under Principle 12 (Performs Using Competent Personnel) [16] are only mentioned briefly within the Controls Activities chapter. We believe that the control component chapters would be more useful if key attributes mentioned in the summaries were prominently discussed in the respective chapters.
19	**Format of Examples**	We note that many of the concepts detailed within Updated Framework include examples intended to enhance/clarify these concepts. However, we also note that there is inconsistent placement of these examples throughout the Updated Framework. For example, in some instances examples are included with related text (e.g., paragraphs 301, 303, 321, 330, 336, etc.), whereas in other instances, examples are set apart in their own paragraphs (e.g., 289, 299, etc.). To improve the usability of the Updated Framework, we believe it would be helpful if the examples were easily distinguishable from the text. This could be achieved by segregating examples into their own paragraphs (i.e., if paragraph 298 contains the text of the Updated Framework, it could be followed by paragraph 298E which contains the example).

[15] Page 89, COSO Internal Control-Integrated Framework (December 2011).
[16] Page 90, COSO Internal Control-Integrated Framework (December 2011).