

**FRANCIS X. RYAN, MEMBER  
101ST LEGISLATIVE DISTRICT**

Harrisburg Office:  
P.O. Box 202101  
Harrisburg, PA 17120-2101  
(717) 783-1815



District Office:  
1044 E. Main Street  
Palmyra, PA 17078  
(717) 838-3823

**House of Representatives**  
Commonwealth of Pennsylvania  
Harrisburg

Email: [fryan@pahousegop.com](mailto:fryan@pahousegop.com)  
[www.RepFrankRyan.com](http://www.RepFrankRyan.com)

**June 30, 2022**

**Securities and Exchange Commission  
Attn: Enforcement Division  
100 F Street, NE  
Washington, DC 20549**

**Re: ESG Governance and Internal Control Concerns**

**Dear Gentlemen:**

**As a member of the House of Representatives of the Commonwealth of Pennsylvania, we the undersigned have become increasingly concerned about the potential harm to the investing public to include the public pension funds for which we, as legislators, are partially responsible for funding.**

**The growth of involvement by corporations in social issues, outside the stated mission of a publicly traded entity, creates a moral hazard to the organization, the investing public, the employees and an entire supply chain.**

**A robust system of internal controls (coso.org) requires a control environment in which the “tone at the top” reinforces “a process effected by an entity’s board of directors, management and other personnel designed to provide reasonable assurance of the achievement of objectives in the following categories:**

- **Operational Effectiveness and Efficiency**
- **Financial Reporting Reliability**
- **Applicable Laws and Regulations Compliance”**

**In reviewing the publicly available information for GOOG (Alphabet), DIS (Disney), TWTR (Twitter) to name a few, the entry into social issues without an effective system of internal controls supporting their positions, places such companies and their investors in a financially precarious position.**

**It is not being asserted that there be a public policy against such entry into socially active positions but that such entry must responsibly be supported by a robust system of internal controls and risk assessment.**

Under the integrated framework provided by the COSO standards, it states that “in an effective internal control system, the following five components work to support the achievement of an entity’s mission, strategies and related business objectives:

1. *Control Environment*

- Exercise integrity and ethical values.
- Make a commitment to competence.
- Use the board of directors and audit committee.
- Facilitate management’s philosophy and operating style.
- Create organizational structure.
- Issue assignment of authority and responsibility.
- Utilize human resources policies and procedures.

2. *Risk Assessment*

- Create companywide objectives.
- Incorporate process-level objectives.
- Perform risk identification and analysis.
- Manage change.

3. *Control Activities*

- Follow policies and procedures.
- Improve security (application and network).
- Conduct application change management.
- Plan business continuity/backups.
- Perform outsourcing.

4. *Information and Communication*

- Measure quality of information.
- Measure effectiveness of communication.

5. *Monitoring*

- Perform ongoing monitoring.
- Conduct separate evaluations.
- Report deficiencies.”

Under the SEC Division of Enforcement, Enforcement Manual, Mission Statement, Section 1.4.1, the protection of the investor and the markets appears to be a major concern:

**“1.4.1 Mission Statement The Division’s mission is to protect investors and the markets by investigating potential violations of the federal securities laws and litigating the SEC’s enforcement actions. Values integral to that mission are:**

- Integrity: acting honestly, forthrightly, and impartially in every aspect of our work.**
- Fairness: assuring that everyone receives fair and respectful treatment, without regard to wealth, social standing, publicity, politics, or personal characteristics.**
- Commitment: recognizing the importance of and caring deeply about our mission of protecting investors and markets.**
- Teamwork: supporting and cooperating with colleagues and other Divisions and Offices at the SEC and fellow law enforcement professionals.”**

**In regard to the mission statement, and in light of Section 2.2.1, Complaints and Tips from the Public, the SEC Enforcement Division investigation of alleged violations of company and board fiduciary responsibilities is sought.**

**Section 2.2.1.1 states in part:**

**“Guidelines for Processing of Public Complaints and Tips:**

- Complaints that appear to be serious and substantial are usually forwarded to staff in the Home Office or the appropriate regional office for more detailed review, and may result in the opening of a MUI.**
- Complaints that relate to an existing MUI or investigation are generally forwarded to the staff assigned to the existing matter. • Complaints that involve the specific expertise of another Division or Office within the SEC are typically forwarded to staff in that particular Division or Office for further analysis.**
- Complaints that fall within the jurisdiction of another federal or state agency may be referred to the SEC contact at that agency. Information that may reasonably identify a whistleblower is generally not shared with other agencies, and the staff should consult with the Office of the Whistleblower before sharing any complaint that may contain such information.**
- Complaints that relate to the private financial affairs of an investor or a discrete investor group are usually forwarded to the Office of Investor Education and Advocacy (“OIEA”). Comments or questions about agency practice or the federal securities laws are also forwarded to OIEA.”**

**Of paramount concern is the role of the Audit Committee of such entities engaged in socially motivated actions and the internal controls in place at the organization to protect against the enterprise risk associated with a corporate entity deviating from its perceived mission and vision statement without appropriate internal controls to mitigate entity risk and reduce the likelihood of substantial investor loss.**

**Under SEC guidelines relative to Audit Committees the following appears to be of importance:**

“SECURITIES AND EXCHANGE COMMISSION

17 CFR PARTS 228, 229, 240, 249 and 274

[RELEASE NOS. 33-8220; 34-47654; IC-26001; File No. S7-02-03]

RIN 3235-AI75

STANDARDS RELATING TO LISTED COMPANY AUDIT COMMITTEES

**AGENCY: Securities and Exchange Commission.**

**ACTION: Final rule.**

**SUMMARY: As directed by the Sarbanes-Oxley Act of 2002, we are adopting a new rule to direct the national securities exchanges and national securities associations to prohibit the listing of any security of an issuer that is not in compliance with the audit committee requirements mandated by the Sarbanes-Oxley Act of 2002. These requirements relate to: the independence of audit committee members; the audit committee's responsibility to select and oversee the issuer's independent accountant; procedures for handling complaints regarding the issuer's accounting practices; the authority of the audit committee to engage advisors; and funding for the independent auditor and any outside advisors engaged by the audit committee. The rule implements the requirements of Section 10A(m)(1) of the Securities Exchange Act of 1934, as added by Section 301 of the Sarbanes-Oxley Act of 2002. Under the rule, listed issuers must be in compliance with the new listing rules by the earlier of their first annual shareholders meeting after January 15, 2004, or October 31, 2004. Foreign private issuers and small business issuers will have additional time to comply. In addition, we are adopting amendments to make several changes to our current disclosure requirements regarding audit committees.”**

**It is requested that the SEC investigate the following publicly traded entities for internal control weaknesses for enterprise risk management and, where appropriate, make referrals to other regulatory entities which may be involved or have jurisdiction:**

**Alphabet, Inc (GOOG) – The 10-K for GOOG does not provide adequate disclosure relative to the internal controls confirming the “fact checking”**

**and otherwise censoring of user content. Such “fact checking” must be investigated to determine if a scientifically sound analysis of such a determination could, in fact, be made. The implications of an unsound process include:**

- 1. Discrimination or libel/slander towards the person or group “fact checked”**
- 2. Violation of applicable FCC standards for limited liability provided to GOOG**
- 3. Potential hostile work environment for those employees who may or may not feel threatened by the perceived bias of the company without provocation**
- 4. Implications to the investors in the company to financial loss from a determination of bias**
- 5. Actions taken by the company which exceed the authorizations allowable under board charters and governance protocols.**

**Disney (DIS) – The actions of the company related to the State of Florida legislation has, on the surface, been a reaction to publicity rather than the reality of the legislation. Such actions, without an effective system of internal controls has already subjected the company and its investors to substantial losses. The actions, if not backed by proper analysis and approval by the board, may be cause for a determination of “material weakness” of its system of internal controls.**

**Twitter (TWTR) – During the actions for the possible acquisition of the company, the magnitude of the “fake” accounts may have been substantially understated and must be investigated to determine if such actions rise to the level of a “material weakness”.**

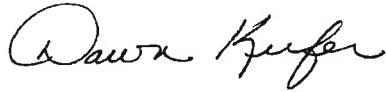
**These are but three companies that are provided as examples of the concerns about this dangerous trend into social engineering without a robust system of risk management and controls.**

**Thank you for your consideration.**

**Semper Fidelis,**



**Francis X. Ryan, CPA, CGMA  
State Representative  
101<sup>st</sup> Legislative District**



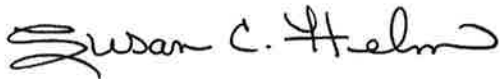
**Dawn Keefer**  
State Representative  
92<sup>nd</sup> Legislative District



**Craig Staats**  
State Representative  
145<sup>th</sup> Legislative District



**Kate Klunk**  
State Representative  
169<sup>th</sup> Legislative District



**Sue Helm**  
State Representative  
104<sup>th</sup> Legislative District



**Perry Stambaugh**  
State Representative  
86<sup>th</sup> Legislative District



**Milou Mackenzie**  
State Representative  
131<sup>st</sup> Legislative District



**Ryan Mackenzie**  
State Representative  
134<sup>th</sup> Legislative District



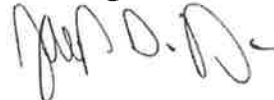
**Tim Twardzik**  
State Representative  
123<sup>rd</sup> Legislative District



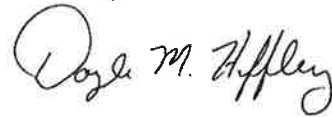
**Rob Kauffman**  
State Representative  
89<sup>th</sup> Legislative District



**Bud Cook**  
State Representative  
49<sup>th</sup> Legislative District



**Joe Hamm**  
State Representative  
84<sup>th</sup> Legislative District



**Doyle Heffley**  
State Representative  
122<sup>nd</sup> Legislative District



**Paul Schemel**  
State Representative  
90<sup>th</sup> Legislative District



**Andrew Lewis**  
State Representative  
105<sup>th</sup> Legislative District



**Mark Gillen**  
State Representative  
128<sup>th</sup> Legislative District



**Barb Gleim**  
State Representative  
199<sup>th</sup> Legislative District



**Louis Schmitt**  
State Representative  
79<sup>th</sup> Legislative District



**Stephanie Borowicz**  
State Representative  
76<sup>th</sup> Legislative District



**Aaron Bernstine**  
State Representative  
10<sup>th</sup> Legislative District



**David Zimmerman**  
State Representative  
99<sup>th</sup> Legislative District



**Marci Mustello**  
State Representative  
11<sup>th</sup> Legislative District



**Tracy Pennycuick**  
State Representative  
147<sup>th</sup> Legislative District



**Rob Mercuri**  
State Representative  
28<sup>th</sup> Legislative District

**Cc: Speaker of the House, Bryan Cutler**  
**Majority Leader, Kerry Benninghoff**  
**President Pro Tempe, Jake Corman**  
**Senate Majority Leader, Kim Ward**  
**Executive Director, PSERS**  
**Executive Director, SERS**