

SECURITIES AND EXCHANGE COMMISSION

FORM CORRESP

Correspondence

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**CORIO INC**

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August 12, 2004

**VIA EDGAR AND FACSIMILE**

Securities and Exchange Commission  
Division of Corporation Finance  
450 Fifth Street, N.W.  
Washington, D.C. 20549

**Attn: Mr. Patrick Gilmore**

**Re: Corio, Inc. - Item 4 Form 8-K filed August 4, 2004**

Dear Mr. Gilmore:

We submit this letter in response to comments from the staff of the Securities and Exchange Commission (the "Staff") received by letter dated August 5, 2004 relating to Corio, Inc.'s (the "Company") Form 8-K filed August 4, 2004 (the "August Form 8-K").

In this letter, we have recited the comments from the Staff in italicized, bold type and have followed each comment with the Company's response. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the August Form 8-K.

***1. We note that KPMG will resign pending completion of services related to the review of the interim financial statements for the quarter ended June 30, 2004. Please note that, at such time as the review is completed and the relationship has actually terminated, an additional Item 4 Form 8-K will be required. The Form 8-K should address all of the disclosures required by Item 304 of Regulation S-K. An updated letter from the former accountant, filed as Exhibit 16, should be provided along with the filing. Supplementally, confirm to us your intentions in this regard.***

The Company acknowledges the Staff's comments and at such time as KPMG's relationship with the Company has actually terminated, the Company will file an additional Item 4 Form 8-K, which will address all of the disclosures required by Item 304 of Regulation S-K, and will provide an updated letter from KPMG, filed as Exhibit 16, along with the filing of the Form 8-K.

***2. We note in your 8-K that KPMG has advised management and the audit committee of several reportable conditions. Supplementally provide us with all written correspondence between management, the audit committee, KPMG and any others related to these reportable conditions.***

The Company acknowledges the Staff's comments and will supplementally provide under separate cover all written correspondence between management, the audit committee, KPMG and any others related to these reportable conditions.

***3. Tell us what period the reportable conditions related to and why they were not disclosed in Item 4 of your first quarter 10-Q and Item 9A of your 2003 10-K. Additionally, tell us whether any adjusting entries were made as a result of these reportable conditions and tells us in detail the steps you have taken (or plan to take) and procedures you implemented (or plan to implement) to correct these reportable conditions.***

The matters identified by KPMG as reportable conditions relate to the quarterly period ended June 30, 2004. Accordingly, these reportable conditions were not disclosed in Item 4 of our first quarter 10-Q or Item 9A of our 2003 10-K.

We have taken the following steps and implemented the following procedures to correct these reportable conditions:

1. Monitoring debt covenant compliance

This finding relates to a new debt arrangement entered into in March 2004. There was a misunderstanding of the covenants based on discussions with bank personnel. As a result of this finding, we have clarified the covenants and reemphasized our monitoring of the compliance of these covenants. Also as a result of this finding, we reclassified \$6.3 million of this debt from long term to current. We have obtained a waiver from the bank for the covenant violation for the second quarter ended June 30, 2004 and are negotiating adjustments to the covenants going forward. This reclassification was based on our expectation that we will violate the covenants for the third and fourth quarter of 2004 as they are currently structured.

2. Absence of appropriate levels of accounting personnel

Due to demands for accounting personnel in the marketplace and other issues beyond our control such as maternity leave, the Company experienced attrition of key personnel in the accounting and finance departments subsequent to the first quarter of 2004. At the time of KPMG's findings, we had 5 temporary employees in the finance and accounting departments. Since that time, we have hired 3 of the 5 temporary employees as permanent employees. In addition, we have received an acceptance to our offer of employment for one of the remaining temporary employees and an acceptance to our offer of employment for an additional incremental accounting position. We plan to extend an additional offer of employment for an additional incremental accounting position in the near future.

3. Absence of appropriate review and approval of all manual journal entries

During the second quarter of 2004 it was noted that the Company's process of documenting the review of all manual journal entries was not followed in all cases. We believe that these omissions were largely the result of our staff turnover and we have reemphasized the requirement to properly document the review of all manual journal entries. As an additional control, we have added a second review to confirm that the review of all manual entries has been properly documented.

4. Evidence of failure to reconcile bank statements in a timely manner

During the second quarter of 2004 it was noted that some of our bank accounts were not reconciled in a timely manner. The delays in the completion of these reconciliations were due to the previously mentioned staffing issues and their timely completion as part of our normal quarterly closing process was interrupted by the abrupt call up of our accounting manager for 3 weeks of United States military service. These reconciliations were completed in time for our earning release by other accounting department personnel. Again, we have reemphasized the company policy regarding the timely completion of all reconciliations.

***4. When you engage a new accountant, please report the engagement in a new Form 8-K and comply with the requirements of Regulation S-K Item 304(a)(2). In making any disclosures about consultations with your new accountants, please ensure you disclose any consultations up through the date of engagement.***

The Company acknowledges the Staff's comments and at such time as we engage a new accountant, we will report the engagement in a new Form 8-K and comply with the requirements of Regulation S-K Item 304(a)(2), including disclosing any consultations with our new accountants through the date of engagement.

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Please direct your questions or comments to me (650-232-3000). In addition, we would request that you provide a facsimile of any additional comments you may have to me at (650-232-3200). Thank you for your assistance.

Sincerely,

/s/ Brett White

Brett White  
Chief Financial Officer

cc: George Kadifa, Chief Executive Officer  
John Whittle, Vice President, General Counsel  
**Corio, Inc.**

Douglas H. Collom, Esq.  
**Wilson Sonsini Goodrich & Rosati, P.C.**

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