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MEMORANDUM

June 6, 1988

TO: Chairman Ruder

FROM: Edmund Coulson *Ed Coulson/REB*

RE: Direct filing by accountants when there is a change of accountants

SUBJECT: Response from the American Institute of Certified Public Accountants ("AICPA")

By letter dated March 28, 1988, I requested that the AICPA consider a professional requirement for an accountant that has resigned, declined to stand for reelection or been dismissed from an engagement as the auditor of a SEC registrant, to notify me or other appropriate staff if the accountant is aware that either the Form 8-K announcing the change in accountants or the following accountant's letter has not been filed within the required time periods. Both my letter and the AICPA's response are attached.

According to their letter, the AICPA has asked the SEC Practice Section ("SECPS") of the AICPA's Division for CPA Firms to consider the adoption of a requirement for member firms to notify the Commission when its relationship with a registrant has ended. Although accounting firms in the SECPS audit the vast majority of Commission registrants, they comprise less than half of the accounting firms practicing before the Commission. I therefore preferred an amendment to either the auditing or ethics literature that would be applicable to all auditors. In their letter, the AICPA rejects an amendment to the auditing literature, but states it will continue to examine whether there are other available means to make such a reporting requirement applicable to all auditors of SEC registrants. Their letter also notes their policy and legal concerns with providing a notification to the Commission in only selected circumstances rather than with each change in accountants.

As you know, the issue of direct reporting by accountants continues to be a subject of Congressional concern. Congressman Wyden indicated in the May 2nd hearing that he may propose legislation on this issue. OCA will continue to monitor the AICPA's efforts and let you know of their progress in developing a direct reporting requirement.

cc: Brent Taylor
Nina Gross
Dan Goelzer
Anne Chafer
John Kincaid