

## SEC Regulations Committee

Joint Meeting with SEC Staff - October 3, 2000

*Location:* SEC Headquarters – Washington, D.C.

**NOTICE:** The AICPA SEC Regulations Committee meets periodically with the staff of the SEC to discuss emerging technical accounting and reporting issues relating to SEC rules and regulations. The purpose of the following highlights is to summarize the issues discussed at the meetings. These highlights have not been considered and acted on by senior technical committees of the AICPA, or by the Financial Accounting Standards Board, and do not represent an official position of either organization.

In addition, these highlights are not authoritative positions or interpretations issued by the SEC or its staff. The highlights were not transcribed by the SEC and have not been considered or acted upon by the SEC or its staff. Accordingly, these highlights do not constitute an official statement of the views of the Commission or of the staff of the Commission.

### I. **ATTENDANCE**

#### A. **SEC Regulations Committee**

Amy Ripepi, Chair  
Ernie Baugh  
David Einhorn  
Joseph Graziano  
Wendy Hambleton  
Jay Hartig  
Chris Holmes  
Bob Rouse  
Stewart Sandman  
Bill Travis  
Roy Van Brunt  
John Wolfson  
Mary Jane Young

#### B. **Securities and Exchange Commission**

*Office of the Chief Accountant*

Jack Day, Deputy Chief Accountant  
John Morrissey, Deputy Chief Accountant  
Jack Albert, Associate Chief Accountant  
Sam Burke, Assistant Chief Accountant  
Travis Gilmer, Professional Accounting Fellow  
Eric Jacobsen, Professional Accounting Fellow  
Mike Kigin, Associate Chief Accountant  
Shelly Luisi, Associate Chief Accountant  
Jenifer Minke-Girard, Assistant Chief Accountant  
Michael Pierce, Professional Accounting Fellow

Richard Rodgers, Professional Accounting Fellow  
Esmerelda Rodriguez, Assistant Chief Accountant  
Scott Taub, Professional Accounting Fellow  
Dominick Ragone, Professional Accounting Fellow

*Division of Corporation Finance*

Robert Bayless, Chief Accountant

C. **AICPA**

David Brumbeloe, SECPS  
Annette Schumacher Barr  
Sydney Garmong

D. **Guests**

Eric Casey, KPMG  
Scott Pohlman, McGladrey & Pullen  
Bill Yeates, Hein & Associates

II. **RECENT ORGANIZATIONAL CHANGES**

The following individuals have recently joined the Commission staff in the Office of the Chief Accountant:

Jack Day, Deputy Chief Accountant  
Susan Koski-Grafer, Associate Chief Accountant  
Shelly Luisi, Associate Chief Accountant  
Travis Gilmer, Professional Accounting Fellow

Mary Tokar and Scott Bayless have left the Commission to join KPMG and Deloitte & Touche, respectively.

The staff noted that questions regarding interpretations of the SEC's independence rules should be directed to Sam Burke and John Morrissey. Jack Day will handle most accounting inquiries. John Morrissey will also handle other questions including those relating to auditing and international issues.

Robert Bayless noted that the Division of Corporation Finance has promoted six current staff members to senior positions, including Chief Counsel, Chief of the Office of Rulemaking, Assistant Director (Disclosure Operations), and Senior Special Counsel (Disclosure Operations). Details of the promotions can be found in the October 3 *SEC News Digest*, which is posted on the SEC website. He added that the accountants in the Division of Corporation Finance can now be hired as/promoted to a "Grade 15" status. This will help distinguish the status of accountants in the Commission and allow them to better and more efficiently carry out the goals and missions of the Division's full disclosure program.

### III. **SUPPLEMENTAL FINANCIAL INFORMATION PROPOSED RULEMAKING**

Jack Albert stated that the staff has received approximately 75 comment letters responding to the proposal on supplemental financial information (the comment period ended on April 17). The financial analysts that provided comments expressed unqualified support for the proposal while the preparer community and the AICPA expressed concern regarding the disclosure of sensitive items such as tax, environmental and litigation accruals. The staff has considered the comments and is now in the process of addressing them.

The Committee asked the following questions regarding the implementation of the new rule:

- If the final rules are issued prior to year-end, would they apply to 2000 financial reporting?
- Would the information be required for previous years?

The Committee observed that registrants will be dealing with a number of significant new financial reporting matters at year-end (SAB No. 101, *Revenue Recognition in Financial Statements*, SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*). Thus, a requirement to implement this additional rule at year-end would be very burdensome.

Mr. Albert responded that the staff will consider these types of questions in its recommendation to the commission on the final rules resulting from this project.

### IV. **STATUS OF SEC PROPOSAL ON AUDITOR INDEPENDENCE**

The staff noted that more than 2,000 comment letters were received on the Commission's recent proposal on auditor independence. The staff is now in the process of considering these comment letters as well as the testimony given at the public hearings.

### V. **CONCEPT RELEASE ON INTERNATIONAL ACCOUNTING STANDARDS**

The staff is currently in the process of reviewing the 93 comment letters it has received on this concept release.

### VI. **SAB 101 IMPLEMENTATION QUESTIONS**

Jack Day noted that the staff has developed a "frequently asked questions" (FAQ) document to provide answers to a number of the SAB 101 and related implementation questions received to date. The document is essentially complete and is expected to be issued shortly. [Note: The FAQ document was issued October 12, 2000 and is posted on the SEC website at [www.sec.gov](http://www.sec.gov)]

With respect to SAB 101 implementation and the reporting of pro forma effects of changes in accounting principles, Robert Bayless stated that registrants should look to transition guidance in APB 20 and Regulation S-K. He added that the staff would be happy to consider and discuss particular transition issues facing registrants as the

new SAB is implemented

**VII. INDEX OF STAFF POSITIONS**

Robert Bayless noted that the staff has published an outline entitled "International Financial Reporting and Disclosure Issues in the Division of Corporation Finance." The outline is a compilation of recent developments, accounting and disclosure issues, and staff practices affecting foreign registrants. The outline can be found on the SEC website under "Other Commission Notices and Information."

Jack Day also noted that the Office of Chief Accountant has considered putting together a similar outline for issues addressed by its staff. The project has been deferred until the necessary staff resources become available.

**VIII. SECPS PRACTICE ALERT ON INTERIM REVIEWS**

David Brumbeloe noted that the Professional Issues Task Force (PITF) of the AICPA SEC Practice Section has recently issued a Practice Alert on interim procedures entitled "Quarterly Review Procedures for Public Companies." The Alert will be posted to the AICPA website.

Mr. Brumbeloe also noted that, in the future, the SEC Regulations Committee will liaise more actively with the PITF. In that regard, Ernie Baugh will participate in future PITF meetings to represent the Committee.

**IX. DIVISION OF CORPORATION FINANCE (DCF) STAFF TRAINING MANUAL**

Amy Ripepi noted that the Committee has identified a number of questions relating to the content of the revised staff training manual. A task force has been formed to aggregate these questions and discuss them with the staff. Mr. Bayless stated that the staff would welcome questions and comments on the manual.

**X. FUTURE AREAS OF DCF FOCUS**

Robert Bayless stated that his staff will focus on pro forma financial information in the coming months and would appreciate any input the Committee could provide. In addition, the staff will focus more of its attention to issues relevant to the repeat issuer market, such as market risk disclosures by lending and deposit entities and segment disclosures.

**XI. 2000 AUDIT RISK ALERT**

The staff indicated that it will send a letter to the AICPA discussing various issues to be included in the AICPA 2000 Audit Risk Alert. Once issued, the letter will be posted to the SEC website. *[Note: This letter was issued on October 13.]*