

MEMORANDUM

July 12, 1989

TO: Nina Gross
Director of Legislative Affairs

FROM: Ed Coulson *Ed C*
Chief Accountant

RE: AICPA Statement on the Senate FSLIC Bailout Bill
S. 774

On July 5, you circulated a copy of the AICPA's Statement on S. 774. The AICPA apparently has been using this statement to voice its opposition to the Senate bill and its support for the comparable House bill, H. 1278. The AICPA worked hard to have references to generally accepted auditing standards, and other references to "criteria and guidance developed by recognized private sector bodies" (i.e., the AICPA and its Auditing Standards Board), included in H. 1278. It therefore favors this bill over the Senate bill, which has more general language and would vest the Chairman of the new Office of Savings Associations with certain discretion in establishing rules for the selection of independent auditors and the performance of auditing standards.

The AICPA has a reasonable concern that the Senate bill does not indicate the standards by which auditor performance would be judged or what type of sanctions against auditors could be imposed. In my view, the standards for performance of these audits should be those required by general accepted auditing standards as supplemented by any additional standards that the new Office of Savings Association may deem necessary to fulfill their regulatory objectives. I do not believe, however, that it is necessary for the Commission or the staff to become involved in this debate unless we are specifically asked to present our views by the conference committee. If OCA may be of any assistance in this or any other way, please let me know.

cc Chairman Ruder