



# FULL DISCLOSURE INTERPRETIVE GUIDANCE

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## EXECUTIVE SUMMARY

*We reviewed the Division of Corporation Finance's and the Office of the Chief Accountant's staff interpretive guidance process (i.e., preparing, reviewing, tracking, issuing, and reporting). They are responsible for the Full Disclosure program.*

*We identified a number of possible improvements to the process. Our recommendations concern Staff Accounting Bulletins, disclosure of staff guidance, workload reporting, timeliness, management reports, file documentation, policies and procedures for answering requests, and speech approvals.*

*Commission management generally concurred with our recommendations. Written comments from management are attached in Appendix A.*

## OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective was to determine if improvements could be made to the Full Disclosure program's staff interpretive guidance (SIG) process. We also evaluated implementation of the recommendations in the Government Accountability Office's (GAO) report (number 01-718, dated June 2001 "Reviews of Accounting Matters Related to Public Filings") regarding guidance from the Office of the Chief Accountant (OCA).

Our audit scope included several types of staff interpretive guidance, as described in the Background section. The audit emphasized guidance given to specific requestors because this is more common than guidance given to everyone (i.e., public guidance). Because informal (e.g., telephone) requests are not generally documented, we focused on formal (written) requests. Appendix B contains additional information regarding our audit scope.

To identify possible improvements involving formal requests, we reviewed internal controls and the extent of compliance with existing procedures and considered whether any additional procedures were needed.<sup>1</sup> However, we are not expressing an opinion on the procedures because we only reviewed a limited number of formal

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<sup>1</sup> In this report, there is little distinction between internal controls and procedures. Therefore, the term "procedures" will include both concepts.































representative of CF's work. We obtained the list of written responses from a report created from OCA-CF's Access database. According to the report, OCA-CF answered 649 requests in writing.

- OCA-IG: We judgmentally selected ten requests that were answered during fiscal years 2004 and 2005. We selected these fiscal years because we believe they are representative of OCA-IG's work. We obtained the report from a Word file. Based on the report, we estimated that sixty-four requests were answered. As previously discussed, the Word file contained data issues.
- OCA-AG: As previously discussed; OCA-AG did not have a management report. As a result, OCA-AG created a list of some recently answered requests from non-Commission staff. According to OCA-AG, in fiscal year 2005 it received approximately 115 requests from non-Commission staff. We judgmentally selected ten requests from the list.

### III. Sample Used for Approving Speeches

We judgmentally selected ten speeches given by CF and OCA staff during fiscal years 2004, 2005, and 2006. We selected this time period because we believe it is representative. We selected the speeches from the Commission's website. Approximately seventy speeches from Full Disclosure staff were on the website for these fiscal years. Given the limited number of speeches reviewed and the judgmental selection process, we did not intend the results of this audit sample to be projected upon the universe of speeches.