

MEMO# 7100

July 10, 1995

ACCOUNTANT'S REPORT ON TRANSFER AGENT INTERNAL CONTROLS

July 10, 1995 TO: ACCOUNTING/TREASURERS COMMITTEE No. 27-95 OPERATIONS COMMITTEE No. 23-95 TRANSFER AGENT ADVISORY COMMITTEE No. 40-95 RE: ACCOUNTANT'S REPORT ON TRANSFER AGENT INTERNAL CONTROLS

Rule 17Ad-13

of the Securities Exchange Act of 1934 requires every transfer agent to file annually a report prepared by an independent accountant concerning the transfer agent's system of internal accounting control and related procedures for the transfer of record ownership and the safeguarding of related securities and funds. Recently, Statement on Standards for Attestation Engagements No. 2, Reporting on an Entity's Internal Control Structure Over Financial Reporting, superseded Statement on Auditing Standards No. 30, Reporting on Internal Accounting Control. Rule 17Ad-13 reports on the internal control structure of transfer agents were previously issued under SAS No. 30. However, accountants are now required to issue these reports under SSAE No. 2. This change caused independent accountants to change the wording of internal control reports. The SEC staff has objected to the revised language and has been rejecting reports filed in the new format. The AICPA developed a modified form of report and filed a "no action" request with the SEC seeking confirmation that the modified form of report is in compliance with Rule 17Ad-13. Attached is the SEC response to the AICPA confirming that the revised form of report is in compliance with Rule 17Ad-13. Also attached is a model revised form of report. Those reports that were previously filed with the SEC and rejected should be refiled under the new format as of the original audit and report date. The report should include a cover letter explaining the following: ` the original report was filed on a timely basis, ` the report was rejected by the SEC because the form of the report was not acceptable to the SEC, ` the form of the refiled report is consistent with the April 7, 1995 "no action" letter on reports on the internal control structure of transfer agents; and, ` indicate that the transfer agent's internal control review continues to be on the same audit cycle. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting Attachment

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