

Memorandum to the File

On February 9, 2007, individuals from the SEC met with Cees Klumper and Matthew Shephard to discuss their comment letter on the SEC's proposed Interpretive Guidance. The individuals in attendance from the SEC were as follows:

- Zoe-Vonna Palmrose, OCA
- Mike Gaynor, OCA
- Brian Croteau, OCA
- Nancy Salisbury, OCA
- Josh Jones, OCA
- Parveen Gupta, DCF

The dialogue centered around the concept the participants called "embedded testing," which describes an approach to attesting on the effectiveness of internal controls via reliance on procedures performed by individuals in charge of supervising the operation of controls as part of their normal duties. The participants discussed their concern that the SEC's proposal did not allow companies to maximize the use of this approach, especially in high risk areas, and discussed the merits of their approach in terms of the reliability of the information it provides and the efficiency with which it can be provided.