



May 16, 2017
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RE: Inline XBRL Filing of Tagged Data, File No. S7-03-17

Dear Secretary:

The American Institute of Certified Public Accountants (AICPA) is pleased to comment on the Securities and Exchange Commission's (SEC) Proposed Rule on Inline XBRL Filing of Tagged Data (proposed rule). We commend the leadership efforts of the SEC in proposing a rule that will require operating companies and mutual funds to provide information in financial statements and mutual fund risk/return summary information in the Inline XBRL (iXBRL) format. We support the intentions of the proposed amendments which are to improve the quality of information disclosed and allow for the information to be collected in the most timely and cost effective manner while increasing the utility of XBRL data.

The American Institute of CPAs (AICPA) is the world's largest professional association representing the CPA profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for the profession and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession. The AICPA recently combined its strengths with The Chartered Institute of Management Accountants in creating the Association of International Certified Professional Accountants to power opportunity, trust and prosperity for people, businesses and economies worldwide. The Association represents 650,000 members and students in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. With broad reach, rigor and resources, the Association advances the reputation and quality of CPAs, Chartered Global Management Accountants (CGMAs) and accounting and finance professionals globally.

The AICPA is a strong supporter of the application of data standards for the reporting of business information, and we applaud the SEC for progressing its technology capabilities to keep up with the evolution of data standards. The inline XBRL specification is used by millions of companies around the world to report their financial information. The iXBRL specification is used by companies in countries such as the UK, Japan, Denmark, Australia, and Singapore for different reporting applications. The European Securities and Markets Authority (ESMA) recently announced that it is considering iXBRL to be used by issuers in the European Union (EU) to

report their company financial information by 2020. ESMA concluded in its statement¹ that “Inline XBRL is the most suitable technology to meet the EU requirement for issuers to report their annual financial reports in a single electronic format because it enables both machine and human readability in one document for all public companies.” We support the SEC’s proposed rule that works towards aligning with these global efforts and offer the following comments on the proposed rule.

Benefits of iXBRL

Based on discussions with companies implementing and using iXBRL we know that the use of iXBRL by filers will both enable enhanced capabilities for users of financial information and provide efficiencies for preparers. For example, The SEC expects that, by adopting iXBRL, overall efforts and compliance costs may be reduced for filers. The SEC’s proposed rule states that, “by facilitating the preparation and review of XBRL data, iXBRL can decrease the overall time and cost required by filers to comply with the existing XBRL requirements.” The process to prepare inline XBRL requires an integrated approach to create the iXBRL financial statements; this enables filers to gain efficiencies by combining the XBRL tags into the HTML financial statements, as opposed to preparing and filing separate XBRL exhibits as is the case under current requirements.

Risk that Users Expect Auditors Have Involvement with iXBRL Formatted Information

We acknowledge that the proposed amendments do not change the positions taken in the SEC Final Rule entitled, “Interactive Data to Improve Financial Reporting,” issued January 30, 2009 (SEC Final Rule) with respect to auditor responsibility for iXBRL information; (that is, auditors are not required to apply PCAOB AS 2710 (*Other Information in Documents Containing Audited Financial Statements*), PCAOB AS 4101 (*Responsibilities Regarding Filings Under Federal Securities Statutes*), or PCAOB AS 4105 (*Reviews of Interim Financial Information*) to the Interactive Data File submitted with a company’s reports or registration statements. In addition, filers are not required to obtain assurance on their Interactive Data File or involve third parties, such as auditors or consultants, in the creation of their Interactive Data File.) We appreciate that the SEC has made its views on this matter clear in the proposed rule, and we encourage the SEC to consider how best to further communicate this position as the use of iXBRL becomes more widely used.

If the SEC proposed rule is implemented, we believe it is critical that the SEC communicate to financial statement users within the amendments to Regulation S-T, in the SEC’s inline XBRL viewer, or through other public communication that that the XBRL formatted information is not part of the audited financial statements. The XBRL formatted information will be embedded within 10-K and 10-Q filings and will be accompanied by the auditor’s report on the audit of the financial statements and the auditor’s report on the audit of

¹ European Securities Market Authority Feedback Statement on the Consultation Paper on the Regulatory Technical Standard on the European Single Electronic Format (ESEF) December 2016
https://www.esma.europa.eu/sites/default/files/library/2016-1668_esma_feedback_statement_on_the_rts_on_esef_0.pdf

internal control over financial reporting (ICFR), as applicable. Users are very likely to incorrectly assume that such information was subjected to procedures by the auditor as part of the audit of the financial statements, or as part of the integrated audit. Some form of communication by the SEC to investors is necessary to minimize any expectation gap. Some additional options that may be available to communicate lack of auditor involvement include: 1) disclosure of the lack of auditor involvement with the XBRL formatted information embedded in the HTML financial statements within company filings, and 2) additional language in the auditor's report(s) to clearly articulate that the XBRL formatted information embedded in the HTML financial statements is not covered by the auditor's report(s).

Options for Auditor Involvement with the XBRL Formatted Information

Because the XBRL information is available in the public domain and will be embedded within 10-K and 10-Q filings, auditor involvement with iXBRL will be of great value to users and demand for auditor involvement will evolve. If the SEC proposed rule is implemented, management and those charged with governance are likely to want to have some level of auditor involvement in relation to the iXBRL formatted information. Auditors have experience in providing attestation services with respect to XBRL, and filers have engaged auditors to perform XBRL-related engagements on a voluntary basis since the inception of the SEC Final Rule. These engagements are typically performed for the benefit of management and those charged with governance as a means of enhancing their confidence in their iXBRL-tagged data.² Under such engagements, auditors do not provide an opinion on the accuracy of the XBRL formatted information taken as a whole, but rather conduct procedures that are agreed upon by the parties and issue a report with findings of those agreed upon procedures. In other cases, engagements are performed in accordance with the AICPA's consulting standards.

However, going forward, to provide investors additional confidence in the iXBRL formatted information, audit committees are likely to request that auditors perform a separate attestation engagement to provide an opinion on the accuracy and consistency of the XBRL formatted information, and issue a report. If auditors are requested to provide an opinion on the accuracy and consistency of XBRL formatted information, additional guidance would be required to provide that such engagements could be performed in accordance with criteria that are suitable and available, and that users of any such reports understand the nature of these engagements.

In addition, filers might prefer to request that auditors perform procedures on the XBRL tags embedded in the financial statements in conjunction with the financial statement audits rather than as a separate attestation engagement. Because it may be more efficient for the auditor to perform procedures on the XBRL tags in conjunction with the financial statement audit, it would be helpful for the Public Company Accounting Oversight Board to develop standards or interpretative guidance on the type and extent of XBRL-related audit procedures, and how the auditor should report on his or her conclusions.

² In many cases, auditors perform Agreed-Upon Procedures engagements using the AICPA SOP 13-2, *Performing Agreed-Upon Procedures Engagements That Address the Completeness, Mapping, Consistency or Structure of XBRL Formatted-Information*, which is based on the application guidance of the principles and criteria in the exhibit of the AICPA *Principles and Criteria for XBRL-Formatted Information*. Reports for AUP engagements are made available only to specified parties, rather than the general public.

Impact on Data Quality

The adoption of iXBRL may have impact on enhancing the quality of the XBRL files. Because filers will need to integrate their process to create the iXBRL financial statements, the risk of tagging errors caused by creating separate files may be eliminated. iXBRL may also reduce the instances in which filers make inappropriate tagging choices or create inappropriate extensions in order to make the rendering of the separate XBRL files replicate the HTML financial statements. In addition, viewing applications for iXBRL files (specifically the SEC's Inline XBRL Viewer) include enhanced search capabilities and the ability to view the XBRL information, which may make it easier to identify errors in the XBRL files during the review process.

While we expect that by adopting iXBRL companies may improve the creation and review process which will have a positive impact on data quality, we do not expect that the adoption of iXBRL will be sufficient to eliminate all errors. The risk that the XBRL information is inconsistent from the HTML, or includes the use of inappropriate tags and unnecessary extensions will still exist. This may be due to a preparer's lack of understanding of, or complexities in, the taxonomy, or lack of familiarity with the SEC filing requirements and associated guidance. Additionally, a filer's selection of software and disclosure management solution tools may impact the quality of the XBRL data. The SEC has requested that the Financial Accounting Standards Board (FASB) conduct an assessment³ of the efficiency and effectiveness of the U.S. GAAP Financial Reporting Taxonomy, and to report findings and suggested improvements. We are interested in the results of this review and we encourage the FASB to develop recommendations that will reduce the complexity of tagging options in the taxonomy in order to improve the comparability and usefulness of XBRL data.

The AICPA recognizes the importance of data quality, and we expect that, in the future, XBRL may become the primary format for users to obtain financial statement information. Accordingly, we encourage the SEC to continue to pursue efforts to improve data quality including evaluating the data quality efforts of others involved in the XBRL community. For example, the AICPA is a member of the XBRL US Center for Data Quality (Center), and is represented on the Center's XBRL US Data Quality Committee (Committee). The Committee's objective is to develop guidance and validation rules that can prevent or detect inconsistencies or errors in XBRL data filed with the SEC, and focuses on data quality issues that adversely affect data analysis. The Committee has released guidance and validation rules to assist filers in identifying errors, such as inappropriate positive or negative values, concepts that are no longer supported by the taxonomy, and inappropriate combinations of concepts. We recommend that the SEC encourage filers to use available guidance and validation rules issued by the Committee to help reduce errors in the XBRL formatted information. The SEC may also want to consider whether additional guidance will be necessary to inform filers how to handle circumstances when a material error is identified in the filed XBRL formatted information.

³SEC Order Regarding Review of FASB Accounting Support Fee for 2017 Under Section 109 of the Sarbanes-Oxley Act of 2002 <https://www.federalregister.gov/documents/2017/02/06/2017-02413/order-regarding-review-of-fasb-accounting-support-fee-for-2017-under-section-109-of-the>

Impact of Implementation of iXBRL

Many preparers currently have separate processes to prepare the separate HTML and XBRL files which may involve different systems, personnel and processes, including use of external vendors. These preparers will need to change their workflows to accommodate embedding the XBRL tags into the HTML financial statements. As preparers implement iXBRL, they will note that iXBRL formatted information has some features that the XBRL formatted information does not possess; therefore, preparers and service providers will need to understand these differences in order to appropriately tag certain information within their iXBRL files. We recommend that the SEC continue to promote data quality, including by encouraging filers and service providers to obtain the guidance and training that will be needed to address how to handle the new features.

Phased-in Requirements

The proposed amendments require filers to begin using iXBRL for the first fiscal period after the rule becomes effective using a phased-in approach based on category of filer status. We agree that a phased-in approach based on category of filer status will give smaller filers more time to comply with the new requirements and implement the necessary changes to their processes. However, we recommend that the phased-in approach applied in the iXBRL rule be consistent with the initial implementation of Interactive Data Filings and require the filers' first iXBRL submissions be quarterly reports on Form 10-Q with an option to voluntarily submit the initial iXBRL filing in the annual report on Form 10-K for those filers that opt to adopt early. This would allow filers and service providers to start with a simpler form with less concepts to tag than in the annual Form 10-K.

Summary and Overall Conclusions

We support the SEC in proposing amendments to require the use of iXBRL, and we believe that iXBRL will enable enhanced capabilities for users of financial information as well as provide efficiencies for preparers. While we expect that the efficiencies that preparers gain in their processes should positively impact the quality of the XBRL files submitted, we recognize that the use of iXBRL will not address all errors. As stated previously, to help further address this issue, we recommend that the SEC continue to pursue efforts to improve data quality including encouraging filers to use tagging guidance and validation rules available in the market to help reduce errors in the XBRL formatted information.

Further, as stated previously, when the XBRL formatted information is embedded within the HTML financial statements that are accompanied by auditors' reports, we anticipate a widening expectation gap for financial statement users that will need to be addressed. As a result, in addition to continuing to monitor data quality, we believe the SEC has an important role to play in continuing to inform users of its positions regarding officer certifications and auditor involvement with iXBRL formatted information. As iXBRL becomes more widely used, the AICPA stands ready to assist the SEC and the PCAOB in helping to ensure investors have confidence in the embedded information through existing or evolving types of assurance services.

In conclusion, the AICPA supports the SEC's efforts to improve the quality and effectiveness of information provided to investors and other financial statement users. We would be pleased to discuss our comments or answer any questions that the SEC may have regarding the recommendations expressed in this letter. Please contact Ami Beers at ami.beers@aicpa-cima.com to discuss any questions. On behalf of the AICPA, thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "B. C. Melancon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Barry C. Melancon, CPA
President and CEO
Association of International Certified Professional Accountants