



Richard I. Miller
General Counsel & Secretary

June 1, 2006

Kim D'Arruda
Assistant Attorney General
State of North Carolina
Department of Justice
9001 Mail Service Center
Raleigh, NC 27699-9001

Dear Ms. D'Arruda:

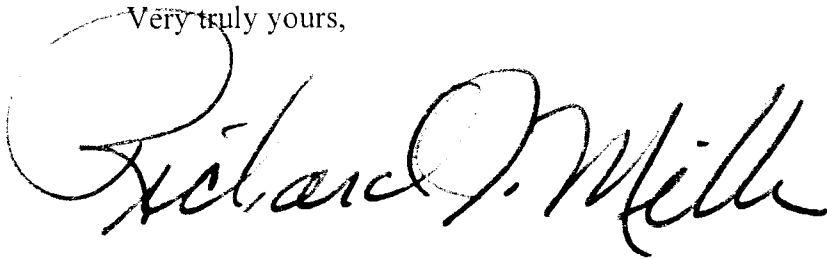
Thank you for your letter of May 12, 2006, which requested additional information regarding the missing hard drive. As to the specific questions you posed, the answers are as follows:

1. On February 27th when management learned that the package containing the hard drive had not been received when it was due to be delivered to the AICPA by FedEx Express, an intensive investigation was undertaken by the AICPA and FedEx Express in an attempt to locate the package. It is important to understand that we did not know what information was contained on the hard drive. The drive had stopped during a download procedure so we were not able to determine what sensitive information, if any, was on the drive until it was re-created. Fortunately, the company that restored the undelivered drive had retained the original broken drive. At our request, they attempted, and completed, a second restoration. We then began the arduous effort to review the contents of the drive, which consisted of reviewing some 13,000 files, to determine what was on the drive. It was only through that month-long effort that we were able to determine that the drive included information related to North Carolina individuals. The AICPA also engaged a private investigator with regard to this matter. As recently as April 24, 2006, we had been informed by FedEx Express that they believed there was a very reasonable likelihood that the missing drive would be found. Later, a member of FedEx's staff informed our private investigator that he believed the package would not be located.
2. First let me make it perfectly clear that to our knowledge there has been no breach. All that we know is that FedEx cannot locate the package that contains the drive. For all we know FedEx may locate it at any time. Out of an abundance of caution we decided to notify our members and former members about this incident. Approximately 12,291 North Carolina members and former members were affected and were notified because the drive included their name address and social security numbers.
3. The item that cannot be located is a hard drive, which the average person might not recognize and which would require a degree of technical skill to attach to a PC. It is not a

floppy disc or CD. The titles of the files on the drive are obscure and a user might to have to examine a large number of files before locating a file that contained personal information. That said, the personal information which was included in the drive's files was not encrypted nor was it password protected.

As for the outcome of the investigation, the AICPA's internal investigation has been completed. We are informed that FedEx Express continues to periodically query its tracking system for undelivered items with regard to this package and that, in addition, FedEx Express will be alerted if the package re-appears in that system. The conclusion that we have reached is that the package, which was in the custody of FedEx Express, cannot be located by them. If you need any additional information please feel free to contact me.

Very truly yours,

A handwritten signature in black ink, reading "Richard D. Mills". The signature is written in a cursive style with a large, looping initial "R".

RIM:dw



Box 9001

David I. Miller
General Counsel & Secretary

10/24

May 8, 2006

North Carolina Attorney General's Office
Consumer Protection Division
9001 Mail Service Center
Raleigh, NC 27699-9001

To whom it may concern:

Pursuant to § 75-65(f) of the North Carolina Code, the American Institute of Certified Public Accountants (AICPA) hereby reports a potential breach of security of personal information involving a damaged computer hard drive containing member information that had been sent out for repair but was apparently lost by the carrier, FedEx Express during the return to the AICPA and cannot presently be located. We have no evidence that there has been a breach, but are notifying affected current and former members out of an abundance of caution. The attached notification letter, which more fully describes the potential security breach, will be mailed to the affected North Carolina individuals today.

If you require further information, please contact me at 212-596-6245.

Sincerely,

RIM:dw

Enclosure

May 8, 2006

We are contacting you about an incident that affects you. A restored AICPA computer hard drive containing certain member information being transported to the Institute cannot presently be located. The hard drive was damaged and had been sent out for repair by an employee in direct violation of the Institute's internal control policies and procedures. We deeply regret this incident.

Despite our exhaustive investigations both within the Institute and FedEx Express, the hard drive has not yet been located. We are contacting you because your name, address and social security number are on the hard drive. Your credit card information was not included. There is no evidence that the hard drive or its contents have been inappropriately accessed. Based on the investigation to date, we believe this is a case of a package being lost. Nevertheless, we are pursuing a number of actions to protect our members.

We have partnered with ConsumerInfo.com, an Experian company, to provide you with a full year of credit monitoring free of charge, which will be available beginning May 23, 2006. Details on the service appear on the reverse side of this letter. Your individual Credit Monitoring Access Code appears in the upper right-hand corner of this letter. In addition, we have contacted the three major credit bureaus listed below to advise them of this incident. Because the bureaus require the individual to register with them directly, we did not give them your name. Therefore, we encourage you to make contact on your own. You need only call one of the bureaus.

Equifax, www.equifax.com, 800-525-6285

Experian, www.experian.com, 888-397-3742

TransUnion www.transunion.com, 800-680-7289

Although there is no evidence that the hard drive has been inappropriately accessed, we view this matter with the highest degree of concern. Preserving the security of electronic data is a prevalent issue today, with many companies experiencing similar types of incidents. In this light, we are taking further measures to safeguard our members. The collection of social security numbers has been a long-standing procedure for the AICPA. However, as a preventive measure, we are in the process of deleting those numbers from our member database. We will cease collecting and maintaining them, except in limited circumstances, and even for those we are accelerating our efforts to develop other means of uniquely identifying our members.

We have established a Web site at www.aicpa.org/PrivacyInfo to provide you with other information you may want to consider. Additional resources may be found at www.consumer.gov/idtheft, a Federal Trade Commission Web site. Finally, you may contact us at our dedicated **Privacy Information Center: 800-826-3881**, or you may e-mail us at SecurityInfo@aicpa.org if you have questions or concerns not covered on our dedicated Web site.

We want to emphasize that no one from the AICPA will call you directly about this matter. If someone does call you about it, do not give personal information. Instead, please contact us immediately at our Privacy Information Center. We sincerely apologize for any inconvenience this may cause you and fully recognize the trust you put in our organization — and will continue to do our utmost to maintain it.

Sincerely,



Anthony Pugliese, CPA
Senior Vice President — Finance and Operations

American Institute of Certified Public Accountants
Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881 • www.aicpa.org
ISO Certified

About the Credit Monitoring Service

ConsumerInfo.com's credit monitoring resource, Triple AlertSM, will identify and notify you of any key changes that may be a sign of identity theft. It will provide you with the following:

- Automatic, daily monitoring of your Experian[®], TransUnion and Equifax credit reports
- E-mail alerts of key changes to any of your 3 national credit reports
- \$10,000 identity theft insurance provided by Virginia Surety, Inc.
- Dedicated fraud resolution representatives available for victims of identity theft

We encourage you to enroll in the service. To enroll, please visit <http://partner.consumerinfo.com/aicpa> on or after May 23, 2006 and enter the Credit Monitoring Access Code that appears in the upper right-hand corner on the front of this letter. Do not enter credit card information as this will be a free service to you. If you choose to enroll, you must do so within 90 days from the effective date. The service will continue for 12 months. You will be instructed on how to initiate your online membership.

**PLEASE VISIT WWW.AICPA.ORG/PRIVACYINFO
FOR FURTHER INFORMATION**