

January 3, 2015

Ms. Sharon Macey  
AICPA  
1211 Avenue of the Americas, 19<sup>th</sup> Floor  
New York, NY 10036-8775

**Re: September 18, 2014 ASB Exposure Draft of a Proposed Statement on Standards for Attestation Engagements (SSAE), *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting: Clarification and Recodification* [the SOC ED]**

Dear Ms. Macey:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective.

TIC has reviewed the ED and is providing the following comments for your consideration.

### **GENERAL COMMENTS**

TIC supports the ED and agrees that the stated objectives of the practitioner, as well as the substantive and language changes to extant AT 801, are appropriate. TIC believes the revised structure facilitates the implementation and understanding of the standard. TIC did not identify any necessary considerations for less complex or governmental entities.

Please see the section below for two requested clarifications for the Board's consideration. One of the proposed clarifications would involve slight changes to a few other proposed, clarified attestation standards.

### **SPECIFIC COMMENTS**

#### Paragraphs 8.3(a), 8.A3 and 8.A4

These paragraphs discuss other engagements that involve a practitioner's report on controls at a service organization that would be prepared under Chapter 2 of the proposed SSAE, *Examination Engagements*, rather than this proposed SSAE.

Paragraph 8.3(a) includes the following explanation:

*The guidance herein also may be helpful to a practitioner performing an engagement under chapter 2, to report on controls at a service organization*

- a. *other than those that are likely to be relevant to user entities' internal control over financial reporting (for example, controls that affect user entities' compliance with specified requirements of laws, regulations, rules, contracts, or grants, or controls that affect user entities' production or quality control). Chapter 7, "Compliance Attestation," of the attestation standards, is applicable if a practitioner is performing agreed-upon procedures related to an entity's internal control over compliance with specified requirements. Chapter 2 is applicable if a practitioner is examining an entity's controls over compliance with specified requirements.*

TIC recommends that cross-references be added from chapter 2 and chapter 7 to the final, clarified AT 801 standard. Otherwise, the practitioner who is performing an examination engagement under Chapter 2 or a compliance attestation engagement under Chapter 7 may not realize that additional guidance on these engagements is available in AT 801.

In addition, the guidance in paragraph 8.A4 seems incomplete. It describes specific examples of issues that could arise under these other engagements (such as an examination engagement on an entity's controls over compliance with specified requirements) that would differ significantly from those associated with SOC engagements involving user entities' internal control over financial reporting. Although paragraph 8.A4 provides a detailed list of examples of such issues, it does not direct the practitioner to any guidance that would help resolve them. TIC recommends that such guidance be developed for Chapter 2 and that a cross-reference be included to chapter 2 from paragraph 8.A4 in the final SSAE AT 801 to benefit practitioners performing and reporting on these other internal control engagements for service organizations.

#### Paragraph 8.A70

This paragraph lists the actions that a service auditor might take when the service auditor becomes aware of noncompliance with laws and regulations, fraud, or uncorrected errors at a service organization, where management has failed to meet its communication responsibilities to affected user entities. One such action is:

*Communicating with third parties, for example, a regulator, when required to do so.*

TIC believes more context around this action would be helpful. Since the AICPA Guide, *Service Organizations: Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, does not seem to provide additional

guidance concerning the service auditor's responsibilities for communications with third parties and regulators (beyond the guidance in Chapter 2), TIC recommends adding one or two examples of the types of service organizations where communications with regulators might apply and the specific circumstances that could trigger this communication.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Scot Phillips". The signature is written in a cursive, slightly slanted style.

Scot Phillips, Chair  
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees