



## Agenda Item 4A

### “Selected Procedures Engagements”

Requirements	Application and Other Explanatory Material
<p><b>Introduction</b></p> <p><b>X.1</b> A selected procedures engagement is one in which a practitioner is engaged to issue, or does issue, a practitioner’s selected procedures report. In a selected procedures engagement, the practitioner performs procedures and issues a report on the procedures performed and related findings. Individual users of the selected procedures report would make their own determination as to how the report is to be used and relied upon based on the procedures performed and the related findings. In a selected procedures engagement, the practitioner does not perform an examination or a review and does not provide an opinion or conclusion. In addition, a selected procedures engagement is not an agreed-upon procedures engagement.<sup>1</sup> The selected procedures report may be intended for a broad range of users and is not required to be restricted as to use. (Ref: par. X.A1-X.A3)</p> <p><sup>fn1</sup> AT-C section 215, <i>Agreed-Upon Procedures Engagements</i> provides performance and reporting requirements and application guidance for an agreed-upon procedures engagement.</p> <p><b>Scope of This Standard</b></p> <p><b>X.2</b> When a practitioner performs services pursuant to an engagement to apply selected procedures to subject matter as part of or in addition to another form of service, this proposed standard applies only to those services described herein; other professional standards would apply to the other services. (Ref: par. X.A4)</p>	<p><b>Introduction</b> (Ref: par. X.1 and X.3)</p> <p><b>X.A1</b> The specified procedures may be developed by the practitioner, the engaging party, another party, or a combination of these parties.</p> <p><b>X.A2</b> The fundamental differences between a selected procedures engagement and an agreed-upon procedures engagement are</p> <ul style="list-style-type: none"> <li>• An agreed-upon procedures engagement is predicated on the concept that a party other than the practitioner makes an assertion about whether the subject matter is measured or evaluated in accordance with suitable criteria. A selected procedures engagement does not require the practitioner to request or obtain an assertion from any party.</li> <li>• In an agreed-upon procedures engagement, the use of the practitioner’s report is required to be restricted to the specified parties. In a selected procedures engagement, the practitioner’s report will often be unrestricted.</li> <li>• In a selected procedures engagement, the specific procedures need not be determined prior to practitioner being engaged.</li> </ul> <p><b>X.A3</b> Nothing in this standard is intended to preclude a practitioner from performing a selected procedures engagement and an agreed-upon procedures engagement on the same subject matter.</p> <p><b>Scope of This Standard</b> (Ref: par. X.2)</p> <p><b>X.A4</b> Another form of service may include an audit, review, compilation, or preparation of financial statements; an examination, review, or agreed-upon procedures engagement performed pursuant to the attestation standards; or a nonattest service other than financial statement preparation such as engagements performed in accordance with Statement on Standards for</p>

Requirements	Application and Other Explanatory Material
	Consulting Services. A practitioner's selected procedures report may be combined with a practitioner's report on such other services, provided the types of services can be clearly distinguished and the applicable standards for each service are followed.
<p><b>Objectives</b></p> <p><b>X.3</b> In conducting a selected procedures engagement, the objectives of the practitioner are to</p> <ul style="list-style-type: none"> <li>a. apply to the subject matter procedures that the engaging party acknowledges; and (Ref: par. A1)</li> <li>b. issue a written practitioner's report that describes the procedures applied and the practitioner's findings.</li> </ul>	
<p><b>Requirements</b></p>	
<p><b>Conduct of a Selected Procedures Engagement</b></p> <p><b>X.4</b> In performing a selected procedures engagement, the practitioner should comply with this section and [reference to Common Concepts section].</p>	
<p><b>Agreeing on the Terms of the Engagement</b></p> <p><b>X.5</b> The agreed-upon terms of the engagement should include the following:</p> <ul style="list-style-type: none"> <li>a. The objectives of a selected procedures engagement from paragraph X.3</li> <li>b. Identification of the intended purpose of the engagement, the subject matter, and, if applicable, the criteria to be used (Ref: par. X.A5)</li> <li>c. Identification of the engaging party</li> <li>d. The responsibilities of the engaging party (Ref: par. X.A6)</li> </ul>	<p><b>Agreeing on the Terms of the Engagement</b> (Ref: par. X.5)</p> <p><b>X.A5</b> If applicable, the criteria may be indicated in the procedures as opposed to described separately.</p> <p><b>X.A6</b> The responsibilities of the engaging party included in the agreed-upon terms of the engagement may include</p> <ul style="list-style-type: none"> <li>a. The subject matter</li> <li>b. The prevention and detection of fraud</li> </ul>

Requirements	Application and Other Explanatory Material
<p>e. The responsibilities of the practitioner, including to perform the procedures and report in accordance with this proposed standard (Ref: par. X.A7)</p>	<p>c. Ensuring that the entity complies with laws and regulations applicable to its activities</p> <p>d. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, the engaging party provides the practitioner for the engagement</p> <p>e. Providing the practitioner with</p> <ul style="list-style-type: none"> <li>• Access to all information of which the engaging party is aware that is relevant to the engagement, such as records, documents, and other matters</li> <li>• Additional information that the practitioner may request from the engaging party for the purpose of the selected procedures engagement</li> <li>• Unrestricted access to persons of whom the practitioner determines it necessary to make inquiries</li> </ul> <p><b>X.A7</b> Where applicable, the practitioner’s responsibilities may also include developing the procedures to be performed.</p>
<p>f. The limitations of a selected procedures engagement, including a statement that the procedures performed may not address all of the items of interest to a user and may not meet the needs of all users. (Ref: par. X.A8-X.A9)</p> <p>g. A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants</p> <p>i. Assistance to be provided to the practitioner</p> <p>j. Involvement of a practitioner’s external specialist, if applicable</p>	<p><b>X.A8</b> The limitations of a selected procedures engagement may include the potential that procedures and findings may not be appropriate for general use, for example because they</p> <ul style="list-style-type: none"> <li>• may not be understood by a general audience,</li> <li>• may be associated with laws or regulations, or</li> <li>• contain non-public personally identifiable information (PII) or sensitive personal information (SPI).</li> </ul> <p><b>X.A9</b> The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the entity that the intended use of the practitioner’s selected procedures report will be restricted. The practitioner may also obtain the entity’s written agreement that the entity and any specified parties will not distribute the practitioner’s selected procedures report to parties other than the specified parties.</p>

Requirements	Application and Other Explanatory Material
<p>k. Materiality limits, if applicable (Ref: par. X.A10)</p>	<p><b>X.A10</b> The practitioner has no responsibility to agree with, or otherwise obtain from, the engaging party specified materiality limits. The requirement to include materiality limits in the terms of the engagement is applicable only when the practitioner is aware of, or establishes, such materiality limits at the onset of the engagement, for example, that exceptions will not be reported for differences less than \$1,000 that are due to rounding. Materiality limits may be obtained from, or agreed upon by, the engaging party after agreement on the terms of the engagement.</p>
<p><b>X.6</b> The engagement letter or other suitable form of written agreement should be addressed to the engaging party and should be signed by</p> <p style="padding-left: 40px;">a. The practitioner or the practitioner’s firm and b. The engaging party</p>	
<p><b>Procedures to be Performed</b></p> <p><b>X.7</b> The practitioner should perform selected procedures.</p> <p><b>X.8</b> The procedures performed pursuant to paragraph X.7 should specify the nature, timing, and extent of the procedures. (Ref: par. X.A11–X.A15)</p>	<p><b>Procedures to be Performed</b> (Ref: par. X.8-X.9)</p> <p><b>X.A11</b> The procedures to be performed may be as limited or as extensive as determined to be appropriate to meet the purpose of the engagement. However, mere reading of specified information about the subject matter does not constitute a procedure sufficient to permit a practitioner to report on the results of selected procedures.</p> <p><b>X.A12</b> Examples of appropriate procedures include the following:</p> <ul style="list-style-type: none"> <li>• Execution of a sampling application in accordance with relevant parameters</li> <li>• Inspection of specified documents evidencing certain types of transactions or detailed attributes thereof</li> </ul>

Requirements	Application and Other Explanatory Material
<p><b>X.9</b> The practitioner should utilize professional judgment in making a determination as to whether the selected procedures are sufficiently precise and clear. The practitioner should not perform procedures</p>	<ul style="list-style-type: none"> <li>• Confirmation of specific information with third parties</li> <li>• Comparison of documents, schedules, or analyses with certain specified attributes</li> <li>• Performance of specific procedures on work performed by others</li> <li>• Performance of mathematical computations</li> </ul> <p><b>X.A13</b> Examples of inappropriate procedures include the following:</p> <ul style="list-style-type: none"> <li>• Mere reading of the work performed by others solely to describe their findings</li> <li>• Evaluating the competency or objectivity of another party</li> <li>• Obtaining an understanding about a particular subject</li> <li>• Interpreting documents outside the scope of the practitioner's professional expertise</li> </ul> <p><b>X.A14</b> If the practitioner is selecting a sample, stating the size of the sample and how the selection was made contributes to the specificity of the description of procedures performed (for example, 50 items starting at the eighth item and selecting every fifteenth item thereafter or invoices issued from May 1 to July 31, 20XX).</p> <p><b>X.A15</b> Examples of other information the practitioner may include are the date the procedure was performed and the sources of information used in performing the procedure.</p> <p><b>X.A16</b> To avoid vague or ambiguous language, the procedures to be performed are characterized by the action to be taken at a level of specificity sufficient for a reader to understand the nature and extent of the procedures</p>

Requirements	Application and Other Explanatory Material
<p>that are open to varying interpretations or that use vague or ambiguous language. Terms of uncertain meaning (such as <i>general review</i>, <i>limited review</i>, <i>check</i>, or <i>test</i>) should not be used in describing the procedures. (Ref: par. X.A16)</p>	<p>performed. Examples of acceptable descriptions of actions are the following:</p> <ul style="list-style-type: none"> <li>• Inspect</li> <li>• Compare</li> <li>• Agree</li> <li>• Trace</li> <li>• Inquire</li> <li>• Recalculate</li> <li>• Observe</li> <li>• Mathematically check</li> </ul> <p>Conversely, the following descriptions of actions (unless defined to indicate the nature, timing, and extent of the procedures associated with these actions) generally are not acceptable because they are not sufficiently precise or may have an uncertain meaning:</p> <ul style="list-style-type: none"> <li>• Note</li> <li>• Review</li> <li>• Evaluate</li> <li>• Analyze</li> <li>• Interpret</li> <li>• Verify</li> <li>• Examine</li> <li>• Validate</li> <li>• Certify</li> </ul>
<p><b>X.10</b> The practitioner should obtain evidence from applying the selected procedures to provide a reasonable basis for the finding or findings expressed in the practitioner’s report but need not perform</p>	

Requirements	Application and Other Explanatory Material
additional procedures outside of the scope of the engagement to gather additional evidence.	
<b>Using the Work of a Practitioner’s External Specialist</b>	<b>Using the Work of a Practitioner’s External Specialist (Ref: par. X.11)</b>
<p><b>X.11</b> If a practitioner’s external specialist is engaged to assist the practitioner in planning or performing a selected procedures engagement, the practitioner’s report should describe the nature of the assistance provided by the external specialist. (Ref: par. X.A17-X.A19)</p>	<p><b>X.17</b> The practitioner may engage an external specialist to assist in designing selected procedures to be performed.</p> <p><b>X.A18</b> The practitioner’s education and experience enable the practitioner to be knowledgeable about business matters in general, but the practitioner is not expected to have the expertise of a person trained for or qualified to engage in the practice of another profession or occupation. In certain circumstances, it may be appropriate to involve a practitioner’s external specialist to assist the practitioner in the performance of one or more procedures. The following are examples of such circumstances.</p> <ul style="list-style-type: none"> <li>• An attorney providing assistance concerning the interpretation of legal terminology in laws, regulations, rules, contracts, or grants</li> <li>• A medical specialist providing assistance in understanding the characteristics of diagnosis codes documented in patient medical records</li> <li>• An environmental engineer providing assistance in interpreting environmental remedial action regulatory directives that may affect the selected procedures applied to an environmental liabilities account in a financial statement</li> <li>• A geologist providing assistance in distinguishing between the physical characteristics of a generic minerals group related to information to which the selected procedures are applied</li> </ul> <p><b>X.A19</b> A practitioner may decide to apply procedures to the report or work product of an external specialist that does not constitute assistance by the external specialist to the practitioner in a selected procedures engagement. For example, the practitioner may make reference to information contained in a report of a practitioner’s external specialist in describing a procedure.</p>

Requirements	Application and Other Explanatory Material
	However, it is inappropriate for the practitioner to merely read the external specialist's report solely to describe or repeat the findings or to take responsibility for all or a portion of any procedures performed by an external specialist or the external specialist's work product.
<b>Using the Work of Internal Auditors or Other Practitioners</b>	<b>Using the Work of Internal Auditors or Other Practitioners</b>
<b>X.12</b> The selected procedures to be enumerated or referred to in the practitioner's report should be performed entirely by the engagement team or other practitioners. (Ref: par. X.A20–X.A22)	<p><b>Using the Work of Internal Auditors</b> (Ref: par. X.12)</p> <p><b>X.A20</b> Internal auditors or other personnel may prepare schedules and accumulate data or provide other information for the practitioner's use in performing the selected procedures.</p> <p><b>X.A21</b> Internal auditors may perform and report separately on procedures that they have carried out. Such procedures may be similar to those that a practitioner may perform under this proposed standard. It is inappropriate for the practitioner to</p> <ul style="list-style-type: none"> <li>• merely read the internal auditors' report solely to describe or repeat their findings.</li> <li>• take responsibility for all or a portion of any procedures performed by internal auditors by reporting those findings as the practitioner's own.</li> <li>• report in any manner that implies shared responsibility for the procedures with the internal auditors.</li> </ul> <p><b>X.A22</b> A practitioner may perform procedures on information documented in the working papers of internal auditors. For example, the practitioner may</p> <ul style="list-style-type: none"> <li>• repeat all or some of the procedures.</li> <li>• determine whether the internal auditors' documentation indicates procedures performed and whether the findings documented are presented in a report by the internal auditors.</li> </ul>
<b>Communication with the Engaging Party Regarding Procedures Performed</b>	<b>Communication with the Engaging Party Regarding Procedures Performed</b> (Ref: par. X.13 and X.18)



Requirements	Application and Other Explanatory Material
<p><b>X.13</b> The practitioner should obtain a written acknowledgment from the engaging party regarding the procedures performed (Ref: par. X.A23-X.A25).</p>	<p><b>X.A23</b> The practitioner’s communication with the engaging party enables the engaging party, if not already aware, to be made aware of the specific procedures performed and affords the engaging party an opportunity to suggest additional procedures that the engaging party may feel are appropriate in order to meet the purpose of the engagement.</p> <p><b>X.A24</b> In addition to the engaging party, the practitioner may also consider it appropriate to communicate with other parties regarding the procedures performed.</p> <p><b>X.A25</b> The written acknowledgment of the procedures performed may be documented in the engagement letter, an amendment to the engagement letter, in a representation letter, or some other written communication.</p>
<p><b>Findings</b></p> <p><b>X.14</b> The practitioner should present the results of applying selected procedures to subject matter in the form of findings.</p>	<p><b>Findings</b> (Ref: par. X.15-X.16)</p>
<p><b>X.15</b> The practitioner should report all findings from the application of the selected procedures. Any materiality limits should be described in the practitioner’s report. (Ref: par. X.A26 and X.A29)</p> <p><b>X.16</b> If, as a result of performing procedures, the practitioner determines that the description of the procedures performed or the corresponding findings result in a misleading selected procedures report, the practitioner should discuss the matter with the engaging party and take appropriate action. (Ref: par. X.A27)</p>	<p><b>X.A26</b> An example of language in the practitioner’s report that describes a materiality limit is “For purposes of reporting the findings from these selected procedures, exceptions of \$1,000 or less resulting solely from the rounding of amounts disclosed are not considered findings.”</p> <p><b>X.A27</b> An appropriate action that the practitioner may take when the practitioner determines that the description of the procedures performed or the corresponding findings result in a misleading selected procedures report may include revising the procedures or omitting a finding (for example, as a result of an established materiality limit for reporting exceptions when exceptions were identified as a result of rounding differences). If appropriate revisions are not made to the procedures or the findings, the practitioner may determine it is necessary to withdraw from the engagement and inform the engaging party for the reasons for withdrawing.</p>
<p><b>X.17</b> In reporting findings, the practitioner should (Ref: par. X.A30)</p> <p style="padding-left: 40px;">a. Not use vague or ambiguous language; (Ref: par. X.A28)</p>	<p><b>X.A28</b> Because the selected procedures report is not required to be restricted as to use, the practitioner cannot ascertain the understanding of users of an unknown population. Therefore, to avoid vague or ambiguous language, the findings are at a level of specificity sufficient for a reader to understand the nature and extent of the procedures and findings.</p>

Requirements	Application and Other Explanatory Material		
<p>b. Not include terms of uncertain meaning (Ref: par. X.A29)</p> <p>c. Not express an opinion or conclusion.</p>	<p><b>X.A29</b> If, in the practitioner's judgment, certain terms are potentially uncertain in meaning, the practitioner may consider whether a glossary is appropriate in the circumstances.</p> <p><b>X.A30</b> The following table provides examples of appropriate and inappropriate descriptions of findings resulting from the application of certain selected procedures.</p>		
	<b>Procedures</b>	<b>Appropriate Description of Findings</b>	<b>Inappropriate Description of Findings</b>
	Inspect the shipment dates for a specified sample of specified shipping documents, and determine whether any such dates were subsequent to [date].	No shipment dates shown on the sample of shipping documents were subsequent to [date].	Nothing came to my attention as a result of applying that procedure.
	Recalculate the number of blocks of streets paved during the year ended [date], shown on contractors' certificates of project completion; compare the resultant number to the number in an identified chart of performance statistics as of [date].	The number of blocks of streets paved in the chart of performance statistics was Y blocks more than the number calculated from the contractors' certificates of project completion.	The number of blocks of streets paved approximated the number of blocks included in the chart of performance statistics.
	Recalculate the rate of return on a specified investment (according to a	No exceptions were found as a result of	The resultant percentage approximated the predetermined

Requirements	Application and Other Explanatory Material		
	<p>specified formula) and determine whether the resultant percentage agrees to the percentage in an identified schedule.</p>	<p>applying the procedure.</p>	<p>percentage in the identified schedule.</p>
	<p>Inspect the quality standards classification codes in identified performance test documents for products produced during [<i>specified period</i>]; compare such codes to those shown in the [identified] computer printout for [<i>specified period</i>] as of [<i>date</i>].</p>	<p>All classification codes inspected in the identified documents were the same as those shown in the computer printout, except for the following:  [<i>List all exceptions.</i>]</p>	<p>All classification codes appeared to comply with such performance documents.</p>
	<p>Trace all outstanding checks appearing on a bank reconciliation as of [<i>date</i>] to checks cleared in the bank statement of the subsequent month.</p>	<p>All outstanding checks appearing on the bank reconciliation were traced to the list of cleared checks in the subsequent month's bank statement, except for the following:</p>	<p>Nothing came to my attention as a result of applying the procedure.</p>

Requirements	Application and Other Explanatory Material		
		<i>[List all exceptions.]</i>	
	Compare the amounts of the invoices included in the “over 90 days” column shown in an identified schedule of aged accounts receivable of a specific customer as of <i>[date]</i> to the amount and invoice date shown on the corresponding outstanding invoice. Determine whether the dates on the corresponding outstanding invoices precede the date indicated on the schedule by more than 90 days.	All outstanding invoice amounts agreed with the amounts shown on the schedule in the “over 90 days” column, and the dates shown on such outstanding invoices preceded the date indicated on the schedule by more than 90 days.	The outstanding invoice amounts agreed within approximation of the amounts shown on the schedule in the “over 90 days” column, and nothing came to our attention that the dates shown on such outstanding invoices preceded the date indicated on the schedule by more than 90 days.
<p><b>Written Representations</b></p> <p><b>X.18</b> The practitioner should request from the engaging party written representations in the form of a letter addressed to the practitioner. The representations should, as applicable, (Ref: par. A25 and A31)</p> <ul style="list-style-type: none"> <li>a. state that all known matters contradicting the subject matter and any communications from regulatory agencies or others affecting the subject matter have been disclosed to the practitioner, including communications received between the end of the period and the date of the practitioner’s selected procedures report.</li> <li>b. acknowledge responsibility for <ul style="list-style-type: none"> <li>i. subject matter, if applicable; (Ref: par. X.A39)</li> <li>ii. selecting the criteria, when applicable; and</li> </ul> </li> </ul>	<p><b>Written Representations</b> (Ref: par. X.18)</p> <p><b>X.A31</b> Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the engaging party. The person(s) from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the engaging party, which may vary by entity, reflecting influences such as size and ownership characteristics.</p>		

Requirements	Application and Other Explanatory Material
<p>iii. determining that such criteria are appropriate for the engaging party's purposes.</p> <p>c. state that the engaging party has provided the practitioner with access to all records relevant to the subject matter and the selected procedures.</p> <p>d. state that the engaging party is not aware of any material misstatements in the subject matter.</p> <p>e. state that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter.</p> <p>f. state that the engaging party has disclosed to the practitioner other matters as the practitioner deems appropriate.</p> <p><b>X.19</b> If the engaging party is not responsible for the subject matter of the engagement, the practitioner should also consider requesting the representations from paragraph X.18 from the party that is responsible for the subject matter of the engagement.</p> <p><b>X.20</b> The date of the written representations should be as of the date of the practitioner's report. The written representations should address the subject matter and periods covered by the practitioner's findings.</p> <p><b>Requested Written Representations Not Provided or Not Reliable</b></p> <p><b>X.21</b> When one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should</p>	

Requirements	Application and Other Explanatory Material
<p>a. discuss the matter with the engaging party;</p> <p>b. reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect, if any, on the engagement; and</p> <p>c. if any of the matters are not resolved to the practitioner's satisfaction, take appropriate action. (Ref: par. X.A32)</p>	<p><b>Requested Written Representations Not Provided or Not Reliable</b> (Ref: par. X.21c)</p> <p><b>X.A32</b> Appropriate actions the practitioner might consider in the circumstances described in paragraph X.19c include</p> <p>a. withdrawing from the engagement; or</p> <p>b. determining the effect on the practitioner's report.</p>
<p><b>Preparing the Practitioner's Report</b></p> <p><b>X.22</b> The practitioner's report on selected procedures should be in writing. (Ref: par. X.A33)</p> <p><b>X.23</b> The practitioner's report on selected procedures should be in the form of procedures and findings.</p>	<p><b>Preparing the Practitioner's Report</b> (Ref: par. X.22)</p> <p><b>X.A33</b> This proposed standard does not require a standardized format for reporting on all selected procedures engagements. Instead it identifies the basic elements that the report on selected procedures is to include. Reports on selected procedures are tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the selected procedures report.</p>
<p><b>Content of the Practitioner's Selected Procedures Report</b></p> <p><b>X.24</b> The practitioner's report on selected procedures should include the following: (Ref: par. X.A46)</p> <p>a. A title that clearly indicates that it is the practitioner's selected procedures report and includes the word <i>independent</i> (Ref: par. X.A34)</p> <p>b. An appropriate addressee as required by the circumstances of the engagement (Ref: par. X.A35)</p>	<p><b>Content of the Practitioner's Selected Procedures Report</b></p> <p><b>Title (Ref: par. .24a)</b></p> <p><b>X.A34</b> Appropriate titles include</p> <ul style="list-style-type: none"> <li>• Independent Accountant's Report on Applying Selected Procedures</li> <li>• "Independent Practitioner's Report on Applying Selected Procedures."</li> <li>• Independent Certified Public Accountant's Report on Applying Selected Procedures</li> </ul> <p><b>Addressee (Ref: par. .24b)</b></p> <p><b>X.A35</b> An appropriate addressee in a selected procedures engagement is mostly commonly the engaging party.</p>

Requirements	Application and Other Explanatory Material
<p>c. An identification of:</p> <ul style="list-style-type: none"> <li>i. the objectives of a selected procedures engagement from paragraph X.3;</li> <li>ii. the engaging party;</li> <li>iii. the intended purpose of the engagement in such a manner as to not imply that the practitioner has expressed an opinion or a conclusion on the subject matter; (Ref: par. X.A36-X.A38)</li> <li>iii. the subject matter; and</li> <li>iv. the criteria used, if applicable.</li> </ul> <p>d. A statement that the engaging party is responsible for the determination of the subject matter of the engagement and, if applicable, an identification of the party, for purposes of the engagement, that has taken responsibility for the subject matter (Ref: par. X.A39)</p>	<p><b><i>Identification of the Intended Purpose of the Selected Procedures Engagement (Ref: par. .24c(iii))</i></b></p> <p><b>X.A36</b> A practitioner may be asked to apply selected procedures to more than one subject matter. In these engagements the practitioner may issue one practitioner’s report that refers to all subject matter covered.</p> <p><b>X.A37</b> Because the practitioner is precluded from expressing an opinion or conclusion about whether the subject matter is in accordance with specified criteria, in identifying the intended purpose of the selected procedures engagement it would not be appropriate to state that the intended purpose of the engagement was to determine if the subject matter was performed or is stated in accordance with specified criteria or that the practitioner performed the engagement to conclude as to whether the entity complied with specified criteria.</p> <p><b>X.A38</b> Unless the practitioner takes responsibility for the sufficiency of the procedures performed, it would not be appropriate to imply that the practitioner takes such responsibility, as doing so could be misleading to potential users of the practitioner’s selected procedures report. However, the practitioner is not precluded from making an explicit statement that the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the practitioner’s report has been requested or for any other purpose.</p> <p><b><i>Responsibility for the Subject Matter of the Engagement (Ref: par. X.18b(i) and X.24d)</i></b></p> <p><b>X.A39</b> There may be circumstances in which no party accepts responsibility for the subject matter of the engagement.</p>

Requirements	Application and Other Explanatory Material
<p>e. A statement that the procedures performed may not address all of the items of interest to a user and may not meet the needs of all users (Ref: par. X.A40)</p> <p>f. If applicable, a description of any specified materiality limits</p>	<p><b><i>Limitations on Items of Interest and Needs of Users (Ref: par. .24e)</i></b></p> <p><b>X. A40</b> The practitioner may advise potential users as to inappropriate uses of the practitioner’s selected procedures report.</p>
<p>g. A statement that</p> <p>i. the selected procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants.</p> <p>ii. the practitioner was not engaged to and did not conduct an examination or review of the subject matter, the objective of which would be the expression of an opinion or a conclusion, respectively, on the subject matter. (Ref: par. X.A41 - X.A42)</p> <p>iii. the practitioner does not express an opinion or conclusion. (Ref: par. X.A43)</p> <p>iv. the procedures performed may not address all of the items of interest to a user and may not meet the needs of all users.</p> <p>v. had the practitioner performed additional procedures, other matters might have come to the practitioner’s attention that would have been reported.</p>	<p><b><i>Statement that the Practitioner Was Not Engaged to and Did Not Conduct an Examination or Review of the Subject Matter (Ref: par. X.24g(ii))</i></b></p> <p><b>X.A41</b> While not required, the practitioner may include a statement clarifying that the practitioner was not engaged to perform agreed-upon procedures.</p> <p><b><i>Statement When the Subject Matter Consists of Elements, Accounts, or Items of a Financial Statement (Ref: par. X.24g(ii))</i></b></p> <p><b>X.A42</b> If the subject matter consists of elements, accounts, or items of a financial statement, the practitioner’s report might instead state that the selected procedures do not constitute an audit [or a review] of financial statements or any part thereof, the objective of which is the expression of an opinion [or conclusion] on the financial statements or a part thereof.</p> <p><b><i>Preclusion on Expression of an Opinion or Conclusion on the Subject Matter (Ref: par. .24h(iii))</i></b></p> <p><b>X.A43</b> The practitioner is precluded from expressing an opinion or conclusion about whether the subject matter is in accordance with [or based on] the criteria, for example, the report may state that the practitioner compared subject matter to something else but cannot state, “Nothing came to our attention that caused us to believe that the subject matter is not in accordance with [or based on] the criteria, in all material respects.”</p>



Requirements	Application and Other Explanatory Material
<p><i>h.</i> A list of all procedures performed, or reference thereto, and related findings.</p> <p><i>i.</i> When applicable, a description of the nature of assistance provided by a practitioner’s external specialist, as discussed in paragraph X.11.</p> <p><i>j.</i> When applicable, reservations or restrictions concerning procedures or findings (Ref: par. X.A44)</p>	<p><b><i>Reservations or Restrictions Concerning Subject Matter, Procedures or Findings (Ref: par. .24j)</i></b></p> <p><b>X.A44</b> Examples of reservations or restrictions concerning subject matter, procedures or findings may include:</p> <ul style="list-style-type: none"> <li>• Disclosure of stipulated facts, assumptions, or interpretations (including the source thereof) used in the application of selected procedures</li> <li>• Description of the condition of records, controls, or data to which the procedures were applied</li> <li>• Explanation that the practitioner has no responsibility to update the practitioner’s report</li> <li>• Explanation that the sample may not be representative of the population</li> </ul>
<p><i>k.</i> The signature of the practitioner or the practitioner’s firm</p> <p><i>l.</i> The city and state where the practitioner practices (Ref: par. X.A45)</p> <p><i>m.</i> The date of the practitioner’s report. The practitioner’s report should be dated no earlier than the date on which the practitioner completed the procedures and determined the findings, including that</p> <p style="padding-left: 40px;"><i>i</i> the attestation documentation has been reviewed, and</p>	<p><b><i>Location (Ref: par. .24l)</i></b></p> <p><b>X.A45</b> In the United States of America, the location of the issuing office is the city and state. In another country, it may be the city and country. The city and state where the practitioner practices may be indicated on letterhead that contains the issuing office’s location.</p>

Requirements	Application and Other Explanatory Material
<p>ii. if applicable, the written presentation of the subject matter has been prepared</p>	<p><b>X.A46</b> Illustrative practitioner’s reports on selected procedures are presented in exhibit “Illustrative Examples of the Independent Accountant’s Report on Applying Selected Procedures.”</p>
<p><b>Alert That Restricts the Use of the Practitioner’s Selected Procedures Report</b></p> <p><b>X.25</b> A practitioner’s selected procedures report should include an alert, in a separate paragraph, that restricts its use when the subject matter of the practitioner’s selected procedures report is based on (Ref: par. X.A47-X.A50)</p> <p>a. Measurement or disclosure criteria that are determined by the practitioner to be suitable only for a limited number of users who can be presumed to have an adequate understanding of the criteria or</p> <p>b. Measurement or disclosure criteria that are available only to the specified parties.</p>	<p><b>Alert That Restricts the Use of the Practitioner’s Selected Procedures Report</b> (Ref: par. X.25)</p> <p><b>X.A47</b> The need for an alert that restricts the use of the practitioner’s selected procedures report arises from the potential for the practitioner’s selected procedures report to be misunderstood if taken out of the context in which the practitioner’s selected procedures report is intended to be used.</p> <p><b>X.A48</b> Nothing in this proposed standard precludes a practitioner from including an alert in any practitioner’s selected procedures report. For example, when the terms of the selected procedures engagement require the practitioner to supply the practitioner’s selected procedures report only to specified parties, the practitioner may consider it necessary in the circumstances to include a separate paragraph in the practitioner’s selected procedures report that restricts the use of the practitioner’s selected procedures report.</p> <p><b>X.A49</b> The need for restriction on the use of a report may result from a number of circumstances, including the purpose of the report, the criteria used in preparation of the subject matter, the extent to which procedures performed are known or understood, and the potential for the report to be misunderstood when taken out of the context in which it was intended to be used</p> <p><b><i>Distribution of the Practitioner’s Selected Procedures Report</i></b> (Ref: par. X.24)</p> <p><b>X.A50</b> A practitioner is not responsible for controlling, and cannot control, distribution of the practitioner’s selected procedures report after its release. The alert that restricts the use of the practitioner’s selected procedures report is designed to avoid misunderstandings related to the use of the practitioner’s selected procedures report,</p>

particularly if the practitioner's selected procedures report is taken out of the context in which the practitioner's selected procedures report is intended to be used. A practitioner may consider informing the engaging party or other specified parties that the practitioner's selected procedures report is not intended for distribution to parties other than those specified in the practitioner's selected procedures report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the engaging party that the intended use of the practitioner's selected procedures report will be restricted and may obtain the engaging party's agreement that the engaging party and specified parties will not distribute such practitioner's selected procedures report to parties other than those identified therein.

***Illustrative Alert Language*** (Ref: par. X.26)

**X.26** The alert that restricts the use of the practitioner's selected procedures report required by paragraph X.24 should

- a. state that the practitioner's selected procedures report is intended solely for the information and use of the specified parties.
- b. identify the specified parties for whom use is intended.
- c. state that the practitioner's selected procedures report is not intended to be, and should not be, used by anyone other than the specified parties.

(Ref: par. X.A51)

***Adding Other Specified Parties***

**X.27** When, in accordance with paragraph X.23, the practitioner includes an alert that restricts the use of the practitioner's selected procedures report to certain specified parties and the practitioner is requested to add other parties as specified parties, the practitioner should determine whether to agree to add the other parties as specified parties. (Ref: par. X.A52)

**X.51** The alert that restricts the use of the practitioner's selected procedures report may list the specified parties or refer to the specified parties listed elsewhere in the practitioner's selected procedures report. The following illustrates language that includes the elements required by paragraph X.30:

This report is intended solely for the information and use of [*list or refer to the specified parties*] and is not intended to be, and should not be, used by anyone other than these specified parties.

***Adding Other Specified Parties*** (Ref: par. X.27)

**X.A52** When the practitioner is requested to add other parties as specified parties, the practitioner may agree to add other parties as specified parties based on the practitioner's consideration of factors such as the identity of the other parties and the intended use of the practitioner's selected procedures report.

Requirements	Application and Other Explanatory Material
<p><b>X.28</b> If the other parties are added after the release of the practitioner's selected procedures report, the practitioner should either:</p> <ul style="list-style-type: none"> <li>a. Amend the practitioner's selected procedures report to add the other parties and, in such circumstances, not change the original date of the practitioner's selected procedures report.</li> <li>b. Provide a written acknowledgment to management and the other parties that such parties have been added as specified parties and state in the acknowledgment that no procedures were performed subsequent to the original date of the practitioner's selected procedures report.</li> </ul>	
<p><b>Knowledge of Matters Outside Selected Procedures</b></p> <p><b>X.29</b> Although the practitioner need not perform procedures beyond the selected procedures, if in connection with the application, and through the completion, of the selected procedures engagement, matters come to the practitioner's attention by other means that significantly contradict the subject matter referred to in the practitioner's report, the practitioner should discuss the matter with the engaging party and determine whether the practitioner's report should be revised to disclose the matter. (Ref: par. X.A53-X.A54)</p>	<p><b>Knowledge of Matters Outside Selected Procedures</b> (Ref: par. X.29)</p> <p><b>X.A53</b> When the practitioner applies selected procedures to an element, account, or item of a financial statement and has performed (or has been engaged to perform) an audit or review of the entity's related financial statements, and the practitioner's audit or review report on such financial statements includes a departure from the standard report, the practitioner may include a reference to the audit or review report and the departure from the standard report in the practitioner's report on selected procedures.</p> <p><b>X.A54</b> The practitioner is not required to perform any procedures after the date of the practitioner's selected procedures report.</p>
<p><b>Communication Responsibilities</b></p> <p><b>X.30</b> The practitioner should communicate to the engaging party known and suspected fraud and noncompliance with laws and regulations.</p>	
<p><b>Documentation</b></p> <p><b>X.31</b> The practitioner should prepare engagement documentation that is sufficient to determine</p>	

Requirements	Application and Other Explanatory Material
<p>a. the nature, timing, and extent of the procedures performed to comply with this proposed standard and applicable legal and regulatory requirements, including</p> <ul style="list-style-type: none"> <li>i. the identifying characteristics of the specific items or matters tested;</li> <li>ii. who performed the engagement work and the date such work was completed;</li> <li>iii. who reviewed the engagement work performed and the date and extent of such review.</li> </ul> <p>b. the results of the procedures performed and the evidence obtained.</p> <p><b>X.31</b> The engagement documentation should include the written acknowledgement from the engaging party regarding the procedures performed, as required by paragraph X.13.</p>	

**X.A55**

**Exhibit - Illustrative Independent Practitioner’s Selected Procedures Report**

**Illustration 1 – An Independent Practitioner’s Selected Procedures Report Related to a Lottery Drawing**

The following illustrative practitioner’s selected procedures report meets the minimum reporting requirements in paragraph X.22 – X.24. The illustration includes no additional language that a practitioner may include.

**Independent Practitioner’s Report on Applying Selected Procedures**

[Appropriate Addressee]

We have performed the selected procedures enumerated below related to the X drawing on MM, DD, YYYY of the [name of drawing] (the “lottery drawing” or ‘subject matter’) for the State of [Insert name of State] (the ‘State’) to assist lottery players in assessing the extent to which the lottery drawing is conducted in accordance with the State’s lottery guidelines [alternatively, the purpose of the engagement may be stated

generically such as “to perform selected procedures with respect to the lotter drawing”]. The objectives of a selected procedures engagement are to apply procedures, which the engaging party acknowledges, to the subject matter and to issue a written practitioner’s report that describes the procedures applied and the related findings. The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users.

We were engaged by XYZ Company, who is responsible for determining the subject matter of this engagement and who has taken responsibility for conducting the lottery drawing for the State in accordance with the State’s lottery guidelines.

The procedures and associated findings are as follows:

### **Phase I: Entry File Verification**

On [date], we observed:

- Security was called prior to the initiation of that Draw Manager’s lottery drawing to verify that video was operational and observe the Draw Manager turning on the audio and visual buttons to record.
- The Draw Manager selected the lottery drawing admin by....
- The Draw Manager started the Export by...
- The Draw Manager downloaded and unzipped the entry file by...

We compared the lottery, promotion, start and end dates/times in Schedule A to the Draw Manager’s Lottery Report

No exceptions were found as a result of this procedure.

### **Phase II: Lottery Drawing Activity Preparation**

We observed:

- The Draw Manager launch the Secure Draw System program by...
- Under the “Prize Tiers” tab, the prize tiers and alternate promotion scheme are listed per the lottery drawing procedures.
- The Draw Manager add the mail-in entry files by...

- The Draw Manager load the template as denoted over the lottery drawing procedures (if applicable) on the Winner Information Screen.
- The Draw Manager add the entry files by...

No exceptions were found as a result of this procedure.

### **Phase III: Conduct Draw**

We observed the Draw Manager click on the “Start Draw” button on the “Draw” tab to commence the draw.

We observed the numbers [Insert numbers displayed] were displayed on the monitor.

No exceptions were found as a result of this procedure.

This specified procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review of the lottery drawing, the objective of which would be the expression of an opinion or conclusion, respectively, on the lottery drawing. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

*[Additional paragraph(s) may be added to describe other matters such as materiality limits, description of the nature of assistance provided by a practitioner’s external specialist, or reservations or restrictions concerning procedures or findings.]*

*[Practitioner’s signature]*

*[Practitioner’s city and state]*

*[Date of practitioner’s report]*

### **Illustration 2 – An Independent Practitioner’s Selected Procedures Report Related to a Lottery Drawing**

The following illustrative practitioner’s selected procedures report meets the minimum reporting requirements in paragraph X.22 – X.24. The illustration includes additional language that a practitioner may include. The additional language is presented in ***boldface italics***.

#### **Independent Practitioner’s Report on Applying Selected Procedures**

[*Appropriate Addressee*]

We have performed the selected procedures enumerated below related to the X drawing on MM, DD, YYYY of the [*name of drawing*] (the “lottery drawing” or “subject matter”) for the State of [*Insert name of State*] (the ‘State’) to assist lottery players in assessing the extent to which the lottery drawing is conducted in accordance with the State’s lottery guidelines [alternatively, the purpose of the engagement may be stated generically such as “to perform selected procedures with respect to the lottery drawing”]. The objectives of a selected procedures engagement are to apply procedures, which the engaging party acknowledges, to the subject matter and to issue a written practitioner’s report that describes the procedures applied and the related findings. The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users.

We were engaged by XYZ Company, who is responsible for determining the subject matter of this engagement and who has taken responsibility for conducting the lottery drawing for the State in accordance with the State’s lottery guidelines.

***[Additional paragraph(s) may be added to describe what the procedures were not intended for, such as .... The specified procedures described in this report were not performed for the purpose of:***

- a. Satisfying any criteria published by a State Lottery***
- b. Concluding on the appropriateness of the procedures; or***
- c. Reporting any findings with respect to:***
  - i. Whether XYZ Company complied with federal, state or local laws or regulations or***
  - ii. Any other factor that would be material to the likelihood that the State will pay the winner the appropriate proceeds/winnings.]***

***[Additional paragraph(s) may be added to describe documents utilized in executing the procedures, such as ... For the purpose of the procedures described in this report, XYZ Company on behalf of the state, provided us with:***

- a. Draw Manager’s Lottery Report***
- b. The lottery drawing procedures]***

The procedures and associated findings are as follows:

#### **Phase I: Entry File Verification**

On [date], we observed:



- Security was called prior to the initiation of that Draw Manager's lottery drawing to verify that video was operational and observe the Draw Manager turning on the audio and visual buttons to record.
- The Draw Manager selected the lottery drawing admin by....
- The Draw Manager started the Export by...
- The Draw Manager downloaded and unzipped the entry file by...

We compared the lottery, promotion, start and end dates/times in Schedule A to the Draw Manager's Lottery Report

No exceptions were found as a result of this procedure.

### **Phase II: Lottery Drawing Activity Preparation**

We observed:

- The Draw Manager launch the Secure Draw System program by...
- Under the "Prize Tiers" tab, the prize tiers and alternate promotion scheme are listed per the lottery drawing procedures.
- The Draw Manager add the mail-in entry files by...
- The Draw Manager load the template as denoted over the lottery drawing procedures (if applicable) on the Winner Information Screen.
- The Draw Manager add the entry files by...

No exceptions were found as a result of this procedure.

### **Phase III: Conduct Draw**

We observed the Draw Manager click on the "Start Draw" button on the "Draw" tab to commence the draw.

We observed the numbers [Insert numbers displayed] were displayed on the monitor.

No exceptions were found as a result of this procedure.

***[Additional paragraph(s) may be added to describe that the practitioner did not perform any procedures to validate the documents utilized in executing the procedures, such as ... The Company is responsible for the source documents that are described in the specified procedures and related findings section. We were not engaged to perform and we have not performed any procedures other than those previously listed, nor have we performed any procedures with respect to the preparation or verification of any of the source documents. We have no responsibility for the verification of any underlying information upon which we relied in forming our findings.]***

***[Additional paragraph(s) may be added to describe that the practitioner does not have responsibility to update the report for events and circumstances occurring after the report is issued, such as ... Furthermore, we undertake no responsibility to update this report for events and circumstances occurring after the date hereof. We did not obtain a written statement from XYZ Company stating that the Lottery was conducted in accordance with its procedures.]***

This specified procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review of the lottery drawing, the objective of which would be the expression of an opinion or conclusion, respectively, on the lottery drawing. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

*[Additional paragraph(s) may be added to describe other matters such as materiality limits, description of the nature of assistance provided by a practitioner's external specialist, or reservations or restrictions concerning procedures or findings.]*

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*