



November 16, 2017

Mr. Michael Glynn
Audit and Attest Standards Team
AICPA
1211 Avenue of the Americas, 19th Floor
New York, NY 10036-8775

Re: September 1, 2017 ARSC Exposure Draft (ED), *Selected Procedures*

Dear Mr. Glynn:

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 appreciates the joint effort the Accounting and Review Services Committee (ARSC) and the Auditing Standards Board (ASB) put forth to develop this proposed SSSAE. This ED introduces a new type of service that will allow more flexibility for practitioners that are asked to perform agreed-upon procedures engagement services but in situations where the client is unable to develop the procedures themselves or to take responsibility for the sufficiency of the procedures which is quite common with smaller firm clients today. Under the current standards, the only way a practitioner can "fit in" this type of service would be through a consulting engagement, which is not always the ideal solution.

The consulting standards set forth by the AICPA are not nearly as robust as standards set forth by the ARSC or ASB and, therefore, leave much room for practitioner judgment. In comparison to other standards, the Statement on Standards for Consulting Services is a mere 7 pages and offers very broad and generic guidelines but no clear and distinct guidance for practitioners to follow in specific client situations. By developing a new standard under the Statements on Standards for Attestation Engagements (SSAEs), TIC feels this would provide a better framework for practitioners to follow, similar to how AUP engagements are currently being performed under the SSAEs.

SPECIFIC COMMENTS

Question 1A: *Is the proposed expansion of the practitioner's ability to perform procedures and report in a procedures and findings format beyond that currently provided by AT-C section 215 needed and in the public interest? If so, provide specific examples of when, in practice, a practitioner may perform an engagement in accordance with the proposed standard.*

There are many instances where a practitioner works closely with their clients on assertions or assists the client with appropriate procedures to be performed. This is particularly common with smaller less sophisticated entities. Therefore, TIC believes this expansion of services is needed. Many of these engagements are currently being performed under the consulting services but those are not as robust as noted earlier. TIC also believes that regulators might be more willing to accept an engagement performed under the attest standards than one performed as a consulting engagement.

TIC believes that this type of service is similar to compliance-type audits that are currently being performed under the governmental audit standards. However, there are times when non-governmental entities would like to have similar procedures performed, and they would prefer for this to be done by a CPA firm that is already familiar with the operating policies and procedures of the entity.

An example could be a privately-run hospital where those charged with governance would like to see how they are performing against certain commonly used benchmarks, such as patients served, number of beds being utilized during specific timeframes, etc. Perhaps hospital management has an idea as to what benchmarks they would like reviewed, but are unsure of the exact procedures that should be performed as well as what benchmarks they should be measuring themselves against. That is where the expertise of the practitioner, well versed with hospitals and with other hospital clients, could be invaluable.

Question 1B: *Please provide feedback about whether you believe the proposed standard appropriately addresses the objective of providing flexibility regarding the development of the procedures to be performed by the practitioner and the nature and extent of the responsibilities of the parties to the engagement.*

TIC believes the proposed standards provide flexibility regarding who can develop the procedures and the responsibilities of the parties involved while at the same time providing the necessary structure to provide for consistency and quality in the performance of Selected Procedure engagements.

Question 1C: *Do you agree with the proposal that no party would be required to take responsibility for the sufficiency of the procedures in a selected procedures engagement?*

TIC agrees that neither the practitioner or the engaging party should be required to take responsibility for the sufficiency of the procedures. Also, the fact that the users of a Selected

Procedures report have a responsibility to determine that the procedures are sufficient for their purpose is an important consideration in this question. TIC believes that placing this responsibility on the users allows for the greatest flexibility in performing these engagements, and TIC feels that the report adequately discusses any limitations. TIC believes that where there could be some concerns about this information being available to those not familiar with the organization or the criteria being used, the practitioner can always restrict use of the report. For example, many times these reports might be restricted to management and those charged with governance.

Question 1D: *Related to Specific Request for Comment 1C, consider and provide feedback about whether you believe the proposed reporting requirements appropriately communicate the following:*

- a. *When no party takes responsibility for the sufficiency of the procedures*
- b. *When the practitioner, the engaging party, another party, or a combination of these parties take responsibility for the sufficiency of the procedures*
- c. *The responsibilities (or lack thereof) of the practitioner, engaging party, and the party responsible for the subject matter*

TIC believes the proposed reporting requirements are appropriate and adequately communicate the scenarios listed above.

Question 2A: *Do you agree with the permission of general-use selected procedures reports? If you don't agree, please explain why.*

TIC agrees with the permission of general-use selected procedures reports. TIC appreciates the flexibility for the client and practitioner to be able to determine whether the reports should be restricted or could be made available for general use and could envision many scenarios where general-use reports would be appropriate. Further, TIC believes that the proposed standard provides the practitioner with sufficient information to be able to make the determination as to whether to restrict their report.

Question 2B: *If general-use selected procedures reports are permitted, should additional language be included in the practitioner's selected procedures report such as disclosure of the party or parties that determined the procedures to be performed by the practitioner?*

TIC does not believe that additional language is necessary in general-use reports. TIC believes the language required in the proposed reports informing users of their responsibility for determining the sufficiency of the procedures for their intended purposes is sufficient.

Question 3A: *Do you agree that the practitioner should not be required to request or obtain a written assertion from the responsible party in a selected procedures engagement?*

TIC agrees that a written assertion should not be required as noted earlier in this letter.

Question 3B: *In addition to those representations required by the proposed standard and in the absence of requiring that the responsible party provide a written assertion, are there any other written representations that the practitioner should be required to request in a selected procedures engagement? If so, please provide specific representations that the practitioner should be required to request.*

TIC agrees that the representations required by the proposed standard are appropriate and does not have any additional suggestions.

Question 4A: *Do you agree that the proposed standard should be market driven, or are there instances in which a practitioner should be precluded from performing a selected procedures engagement? If there are instance in which the practitioner should be precluded from performing a selected procedures engagement, please provide specific instance and the reasons why.*

TIC does not believe that there are instances where a practitioner should be precluded from performing a selected procedures engagement (other than the preconditions described in paragraphs 26 to 29 of the ED). Since this engagement would be performed under the SSAEs, the practitioner already would have to be independent and follow all applicable ethics rules and interpretations and TIC believes that is sufficient.

Question 4B: *Do you believe the proposed standard should be included in the professional literature (a) as revisions to AT-C section 215 (resulting in the agreed-upon procedures and selected procedures requirements and guidance being codified together) or (b) as a stand-alone AT-C section (for example, AT-C section 220)? Please provide reasoning for your preference.*

TIC believes the proposed standard should not be codified in AT-C section 215 in order to avoid any confusion between selected procedures and agreed upon procedures engagements. Creating a separate AT-C section for selected procedures engagements will make it easier for practitioners to apply the standard and make it clear that this standard does not change AUP engagements.

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,



Michael A. Westervelt, Chair
PCPS Technical Issues Committee
cc: PCPS Executive and Technical Issues Committees