



National Association of State Boards of Accountancy

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November 27, 2017

American Institute of Certified Public Accountants  
Accounting and Review Services Committee  
1211 Avenue of the Americas  
New York, New York 10036

Via email: [Mike.Glynn@aicpa-cima.com](mailto:Mike.Glynn@aicpa-cima.com)

Attention: Mike Glynn

Re: Proposed Statement on Standards for Attestation Engagements- Selected Procedures

Dear Members and Staff of the American Institute of Certified Public Accountants (AICPA):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to offer comments to the above referenced Proposed Statement. NASBA's mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all certified public accountants and their firms in the United States and its territories.

In furtherance of that objective, we offer the following comments on the questions as presented in the Proposed Statement.

**Specific Request for Comment 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.*

We acknowledge that there may be situations where it would be beneficial for a practitioner to perform an engagement in accordance with the proposed standard.

For example:

- A state department of transportation may require a railroad to provide a report on compliance with specific contract or grant provisions. Typically this report becomes public

information and thus made available to parties other than those specified in the engagement letter.

- A company may request a general use report and believes that performing procedures and reporting those findings will meet the needs of the users of the report (e.g., procedures on the results of the tabulation of ballots for an awards show).

### **Specific Request for Comment 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.*

Additional flexibility may be warranted and in the public interest. However, as noted below, we do have concerns when no party or only the practitioner takes responsibility for the sufficiency of the procedures.

### **Specific Request for Comment 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?*

We disagree with the proposal that no party would be required to take responsibility for the sufficiency of the procedures. There is a general public perception that, when a certified public accountant has signed their name to a document, that a practitioner has used due professional care in determining the sufficiency of the procedures, unless there is division of responsibility clearly identified as currently done in AT-C section 215 engagements today.

We also believe that the proposed standard could create threats to compliance with the AICPA *Code of Professional Conduct* "Independence Rule" [1.200.001] as it does not require any party to take responsibility for the sufficiency of the procedures. We believe that the practitioner needs to be independent with respect to the responsible party(ies), as defined in the SSAEs. The threat that a member would take on the role of attest client management, or otherwise assume management responsibilities for an attest client, could exist if no party takes responsibility for the selected procedures and determining that those procedures meet the intended purpose of the engagement.

### **Specific Request for Comment 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*
- d. The limitations of the engagement.*

As noted in our previous comment, we have serious concerns over the proposed reporting under subparts a, b and c. We believe the proposed reporting requirements in subpart d are appropriate.

**Specific Request for Comment 2A**

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

We agree with the permission of general-use selected procedures reports. It is important to allow 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. However, the public should not be misled by the level of assurance provided or the sufficiency of the procedures performed.

However, we do not believe that either general-use or limited-use reports are appropriate in situations where no party is responsible for the sufficiency of the procedures.

**Specific Request for Comment 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?*

In order to avoid confusion of the general public as to the sufficiency of the procedures performed and the related intended use, we believe that the report should include disclosure of the party or parties that determined the procedures to be performed by the practitioner.

**Specific Request for Comment 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?*

We acknowledge that there are situations where a written assertion from the responsible party may not be appropriate or possible. Therefore the practitioner should not be required to obtain a written assertion from the responsible party. However, we recommend providing application guidance for the practitioner to determine when it might be appropriate for the responsible party to provide a written assertion in a selected procedures engagement.

**Specific Request for Comment 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.*

We believe that the representations in the proposed standard are adequate.

#### **Specific Request for Comment 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 instances in which the practitioner should be precluded from performing a selected procedures engagement, please provide specific instances and the reasons why.*

A practitioner should be precluded from performing a selected procedures engagement when there is a lack of independence, unless required by law or regulation without regard to independence. We also have concerns where general use reports would be used to cover internal controls over financial reporting or compliance with laws and regulations.

Also, as noted above, we do not believe a selected procedures engagement should be performed in situations where no party is responsible for the sufficiency of the procedures.

#### **Specific Request for Comment 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.*

We believe that the proposed standard should be included in the professional literature as a revision to AT-C section 215 as this approach has the following benefits:

- Understandability for CPAs, as:
  - o They only have to reference one standard instead of two.
  - o The optional provisions, and the ramifications of each option, can be highlighted within one standard. Two separate standards that contain these differences, and the ramifications of each, make the differences less readily apparent, as they require CPAs to compare the two standards side-by-side. An analogy may be drawn to AU-C 600, in which an auditor can readily see the differences in procedures that apply depending on whether he or she is making reference to the work of component auditors.
- If changes are made to the standard in the future, they only need to be made to one standard, rather than having to remember to make the changes to two standards (or, even worse, forgetting to do so in one or the other).
- The standard-setting boards can avoid unnecessary differences between the two standards that can result from the fact that they are drafted/revised at different times, by boards

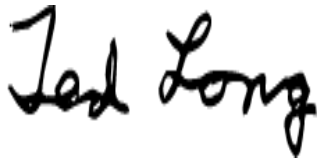
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composed of different people (e.g., non-substantive report wording differences) in order for there not to be any confusion between these types of engagements.


\* \* \*

Thank you for the opportunity to comment on the “Statement on Standards for Attestation Engagements – Selected Procedures” exposure draft.

Very truly yours,



Theodore W. Long, Jr., CPA  
NASBA Chair



Ken L. Bishop  
NASBA President and CEO