



November 27, 2017

Mr. Mike Glynn  
Senior Technical Manager  
AICPA  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Mr. Glynn:

On behalf of the National State Auditors Association, we appreciate the opportunity to respond to the AICPA Accounting and Review Services Committee's exposure draft of a proposed statement on standards for attestation engagements entitled *Selected Procedures*. We generally agree with the Committee's efforts to expand a practitioner's ability to perform procedures and report in a procedures and findings format beyond that currently provided by AT-C section 215, *Agreed-Upon Procedures Engagements*.

Our responses to the specific requests for comment posed in the exposure draft, and some additional comments, follow.

***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 believe the expansion of the practitioner's ability to perform and report on procedures in a format beyond that prescribed in AT-C section 215 is needed and in the public interest.

This type of engagement would be valuable in circumstances such as when state laws require answering general and/or specific questions. The purpose and objective may be known or clear, but the law does not specify which standards to follow or procedures to perform. Further, these laws do not typically require the subject entity establish or agree to the procedures to be performed. The information requests these laws pose can be related to financial transactions, financial balances, compliance with laws or contracts whether financial-related or not, and internal control whether financial related or not. Using an approach prescribed in this proposed standard would allow more flexibility to provide answers to questions the legislators are asking when the more typical audit and attest engagements are not the best vehicle for doing so.

***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.*

We 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.

***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 agree with the proposal that no party would be required to take responsibility for the sufficiency of the procedures in a selected procedures engagement. However, removing responsibility for the sufficiency of the procedures may change the perceived scope and reliance for users. Therefore, it is imperative that the proposed reporting requirements that explicitly communicate this information remain.

**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*

Except as it relates to parties responsible for the subject matter (item c), we believe the proposed reporting requirements appropriately communicate the items noted above. Regarding parties responsible for the subject matter, paragraphs 30.a.v. and A47, make it clear that there can be circumstances where no party is responsible for the subject matter of the engagement. However, this is not communicated in the report. We believe paragraph 53.d. should be restructured similar to paragraph 53.e. which requires a statement be included in the report when no one takes responsibility for the sufficiency of the procedures performed.

**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 proposal that no party is required to take responsibility for the sufficiency of the procedures in a selected procedures engagement and with the report being general-use, as long as the requirements in the proposed standard to explicitly communicate these items within the report language remain.

**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?*

We don't believe any additional language is needed in the practitioner's selected procedures report beyond that currently required in the proposed standard.

**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?*

To accomplish the flexibility the proposed standard attempts to establish, we agree that the practitioner should not be required to request or obtain written assertions from the responsible party. In the government sector, sometimes the responsible party is not willing or able to make assertions. If the practitioner can determine the selected procedures and report findings without client-imposed restrictions, the practitioner can successfully meet the engagement objectives, and the engaging parties and users can obtain the information requested.

**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 agree with the representations noted in the proposed standard, and do not have any additional ones to add.

**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.*

We are not aware of any instances when a practitioner should be precluded from performing a selected procedures engagement.

**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 the proposed standard should be a stand-alone AT-C section to avoid confusion with what is required based on engagement type. While we understand some portions of the standards may be duplicative, we believe there are enough distinctions to warrant it being a stand-alone AT-C section.

## **Other Comments**

### *General*

- It is unclear if an engagement begins as an AUP, and the practitioner has difficulty obtaining written assertions and agreement by specified parties as to the sufficiency of the procedures, which could possibly result in the practitioner withdrawing from the engagement, whether the practitioner can convert the engagement to a selected procedures engagement as a remedy, instead of withdrawing or making modifications to the practitioner's report. If the engagement can be converted to a selected procedures engagement, please clarify what steps the practitioner should take to make this conversion.
- When performing an agreed-upon procedures engagement under AT-C 215 and the subject matter is related to compliance, AT-C 315, *Compliance Attestation*, will also apply. We suggest the committee make clear that when performing a selected procedures engagement of which the subject matter is compliance, AT-C 315 would not apply since it is a different type of engagement.
- The allowance for early implementation is a welcome inclusion.

### *Paragraphs 19, A16, A17, and A18*

In these paragraphs, we suggest the term "accountant" be changed to "practitioner" which is used throughout the remainder of the proposed standard.

### *Paragraphs 27 and 28c*

These paragraph reference paragraphs 23-24; however, it appears they should reference paragraphs 25-26.

### *Paragraph 31*

This paragraph requires signature of the practitioner and engaging party in agreeing to the terms of the engagement. This requirement differs from AT-C 215.12-.15, and .A7, which require written agreement but does not require signature. We believe the requirement for agreeing to the terms of the engagement in the proposed standard should be consistent with the requirements of AT-C 215.

*Paragraph 47*

If the engaging party is not responsible for the subject matter of the engagement, this paragraph requires the practitioner "should also consider" requesting the representations set forth in paragraph 46 from the party that is responsible for the subject matter of the engagement. If a practitioner's consideration to request representation from the party that is responsible for the subject matter results in asking for that representation, and the party responsible for the subject matter refuses to make those representations, it is unclear what actions the practitioner should take moving forward in the engagement. Please clarify the steps the practitioner should take under this circumstance.

*Paragraph 57*

This paragraph requires that if 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. However, AT-C 215.41 for agreed-upon procedures engagements requires the practitioner to include such matters in the report. It is unclear why, for selected procedures engagements, practitioners are permitted to exclude such matters from a general-use report that may be used by parties other than the engaging party who are not aware of discussions the practitioner had with the engaging party, but for agreed-upon procedures engagements, practitioners are required to include such matters in a report that is restricted in use to the specified parties. We believe the Committee should require practitioners to include such matters in the practitioner's selected procedures reports, similar to the requirement to include such matters in a practitioner's agreed-upon procedures report.

*Paragraphs A70-A71*

For consistency with paragraph A71, it appears paragraph A70 should state that the practitioner may engage an external specialist to assist in performing one or more procedures as well as assisting in designing the selected procedures to be performed.

*Paragraph A98*

The text of this paragraph refers to paragraph 28; however, it should refer to paragraph 54.

*Report Illustrations*

Illustrations 2-6 state in the second sentence related to requirement paragraph 53.c. 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. A similar statement is included for requirement paragraph 53.f. This seems repetitive. We suggest the Committee eliminate the second sentence related to paragraph 53.c. because that paragraph does not require such a statement and paragraph 53.f. does. Further, for the basic shell report in Illustration 1, the Committee included such a statement only for requirement paragraph 53.f.

We appreciate the opportunity to respond to such an important document. Should you have any questions or need additional information regarding our response, please contact Sherri Rowland of NSAA at (859) 276-1147 or me at (601) 576-2641.

Sincerely,



Stacey E. Pickering  
President, NSAA