



November 29, 2017

Mr. Michael P. Glynn
Senior Technical Manager
AICPA Accounting and Review Services Committee
AICPA Auditing Standards Board
1211 Avenue of Americas
New York, NY 10036-8775

RSM US LLP

One South Wacker Drive
Suite 500
Chicago, IL 60606
www.rsmus.com

Re: AICPA proposed Statement on Standards for Attestation Engagements (SSAE), *Selected Procedures*

Dear Mr. Glynn,

RSM US LLP appreciates the opportunity to offer our comments on the proposed SSAE, *Selected Procedures*. RSM US LLP is a leading provider of assurance, tax and consulting services focused on the middle market. We have more than 9,000 professionals in 90 cities nationwide.

We understand the proposed standard was drafted to address situations in which the specified parties may not have the ability or willingness to fully develop or determine the procedures for their purposes. We agree this type of engagement represents an opportunity for CPAs to provide services that currently are not available, given the existing guidance in AT-C section 215, *Agreed-Upon Procedures Engagements*, which, among other requirements, dictates that the specified parties determine the procedures they believe to be appropriate to be applied by the practitioner. We also believe the proposed standard has identified several other matters that are currently challenges when performing agreed-upon procedures engagements under AT-C section 215.

Overall, we prefer to see the existing guidance in AT-C section 215 revised to address the concepts in the proposed standard, rather than adding a new standard. We believe adding a new standard providing guidance regarding a separate type of engagement would cause undue confusion for practitioners and users about (a) which type of service to select and (b) the differences in the reports to be issued under each standard.

We believe one comprehensive standard could address all attestation engagements that involve the performance of procedures and reporting of related findings, but it would be important for the standard to bifurcate the requirements related to the sufficiency of the procedures and those related to the design of the procedures. We believe a selected procedures engagement should be limited to its stated objectives—to apply procedures to the subject matter and to issue a written report that describes the procedures applied and the practitioner's findings. The requirement for the specified parties to take responsibility for the sufficiency of the procedures for their purposes only would apply in an agreed-upon procedures engagement. In making this distinction, the ability of the specified parties to determine the sufficiency of procedures could be directly linked to the anticipated users of the report. For a general use report, as proposed, it would be challenging for management to determine that the procedures would be sufficient for all users, thus a specified procedures report that does not determine sufficiency would be appropriate. In a limited use report, management is better able to determine that the procedures are sufficient for the users to whom the report is provided.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

In addition, as discussed in more detail below, we believe there are other operational issues with the proposed standard that should be addressed. We have offered comments in response to the specific requests for comment detailed in the proposed standard. In addition, we have provided specific comments on certain matters related to the content of the proposed standard, which we believe should be addressed through revisions to AT-C section 215 and AT-C section 105, *Concepts Common to All Attestation Engagements*.

Comments in Response to the Specific Requests

Issue 1: Nature of the Proposed Service and Development of the Procedures to be Performed

- 1A. We agree 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 is needed and is in the public interest.
- 1B. We do not 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 there is a difference between (a) determining whether a user would find the procedures sufficient for the purposes they are using the report to accomplish and (b) developing or designing the procedures. We recommend these two concepts be separately addressed through revisions to AT-C section 215. In a selected procedures engagement, we believe the development or design of the procedures should be the responsibility of management, the practitioner or both, and both the engagement letter and the practitioner's report should state who has this responsibility. Whereas, in an agreed-upon procedures engagement, the objectives of the practitioner include applying to the subject matter procedures that are established by specified parties who are responsible for the sufficiency of the procedures for their purposes.
- 1C. 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, as stated above, we believe this concept is different than developing or designing the procedures. Therefore, management, the practitioner or both should be required to take responsibility for the development or design of the procedures.
- 1D. When no party has taken responsibility for the sufficiency of the procedures, we believe the practitioner's report should communicate that the procedures are limited to those described in the report. The practitioner's report also should disclose who is responsible for the design of the procedures.

Issue 2: Use of the Report

- 2A. We agree with the permission of general-use selected procedures reports. As noted above, we believe that when responsibility for the sufficiency of procedures is taken by specified parties, the report should be limited to use by those parties.
- 2B. If general-use selected procedures reports are permitted, we agree that additional language should be included in the practitioner's selected procedures report, such as disclosure of the party or parties who determined the procedures to be performed by the practitioner.

Issue 3: Requesting or Obtaining an Assertion from a Responsible Party

- 3A. We agree that the practitioner should not be required to request or obtain a written assertion from the responsible party in a selected procedures engagement, given that the engagement is limited to reporting procedures and findings - not a conclusion about or opinion on the subject matter.
- 3B. We do not believe there are any other written representations the practitioner should be required to request in a selected procedures engagement in addition to those representations required by the proposed standard.

Issue 4: The Proposed Standard Versus an Agreed-Upon Procedures Engagement

- 4A. We agree that performance of a selected procedures engagement (as opposed to an agreed-upon procedures engagement) generally should be market driven. However, we believe a practitioner should be precluded from performing a selected procedures engagement if the practitioner believes the report would be misleading for general use. This can happen, for example, when the subject matter omits relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter. For instance, if a client engaged a practitioner to provide a selected procedures engagement related to compliance with only three loan covenants related to a loan with a financial institution and the loan had several more covenants that were not mentioned in the report, a general user without access to the loan agreements may be misled to believe the report was intended to provide procedures related to compliance with all covenants of the loan. In such a situation, adding a statement that no procedures were performed related to other covenants of the loan may be sufficient to alert users to the limitations of the report, but absent such further disclosure, the engagement may not be appropriate.
- 4B. We believe the requirements of the proposed standard for selected procedures engagements should be codified together with those for agreed-upon procedures engagements in AT-C section 215. We believe adding a new standard providing guidance regarding a separate type of engagement would cause undue confusion for practitioners and users about (a) which type of service to select and (b) the differences in the reports to be issued under each standard.

Comments on the Content of the Proposed Standard

Although we believe the requirements of the proposed standard for selected procedures engagements should be codified together with those for agreed-upon procedures engagements in AT-C section 215, we offer the following comments on the content of the standalone proposed standard so that they may be considered if the standalone standard is finalized or when developing the content for the new language in AT-C section 215 and revisions to AT-C section 105.

Introduction

Proposed paragraph A3 states, "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." We do not understand how a practitioner could perform both a selected procedures engagement and an agreed-upon procedures engagement on the same subject matter. We therefore believe this paragraph should be deleted.

Criteria

We believe the concept of suitable criteria discussed in paragraph A5 is not applicable in a selected procedures engagement because the practitioner is not determining suitability and is not drawing conclusions about the procedures performed. Therefore we believe criteria, suitable criteria and related concepts should be removed from the proposed standard. Instead, the focus of the standard should be on the procedures performed, as stated in the objectives in paragraph 7. Later in this letter, we provide examples of how use of the “criteria” concepts can be replaced in other requirements of the standard.

Acceptance and Continuance

Because the term “conclusions” also is used to describe the results of review engagements, we recommend paragraph 24 more explicitly state that the conclusions referenced are only those regarding acceptance and continuance. Therefore, to avoid any unintended misinterpretation and to clarify that in a selected procedures engagement the practitioner has no responsibility to make conclusions regarding the sufficiency of the procedures, we recommend paragraph 24 be revised to read as follows (additions are shown in bold font and deletions are struck through):

- 24 The engagement partner should be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and selected procedures engagements have been followed and should determine that conclusions reached ~~in this regard~~ **regarding acceptance and continuance** are appropriate.

Preconditions for a Selected Procedures Engagement

We believe paragraph A27 should be deleted because determining a reasonable basis for measuring or evaluating the subject matter implies a level of assurance a selected procedures engagement would not have.

Similarly, we do not believe paragraph A28.a. is relevant in the context of a selected procedures engagement because the determination of consistent measurement and evaluation would go beyond the requirements of an engagement that involves only the performance of procedures and reporting of the related findings. Therefore, we believe paragraph A28.a. should be removed.

We believe the language in paragraph A28.b. and in the last bullet point of paragraph A32 is important enough to the understanding of the related requirements paragraph 26 that it should be embedded in the requirements - not in the guidance. Therefore, we recommend paragraph 26.b.i. be revised to read as follows (additions are shown in bold font and deletions are struck through):

- i. The subject matter ~~is appropriate~~ **(a) can be subjected to procedures for which sufficient evidence can be obtained to support findings and (b) does not omit relevant factors that could reasonably be expected to affect decisions of users made on the basis of that subject matter.**

We believe the last sentence of paragraph A31 is difficult to understand. The sentence seems to imply that the practitioner should consider whether information meets the needs of intended users, which is not within the scope of a selected procedures engagement given that no party is required to take responsibility for the sufficiency of the procedures performed for any purpose. As stated on page six of the proposed standard, “Individual users of the selected procedures report would make their own determinations about whether the procedures performed were sufficient for their purposes.” We recommend the last sentence be revised as follows so as to not reference the information needs of the intended users, but rather to provide relevant options for the practitioner to consider if selected

procedures relate to only one part of a broader subject matter (additions are shown in bold font and deletions are struck through):

In such cases, ~~it may be appropriate for the practitioner to either (a) decline in determining whether the engagement~~ **because it does not** exhibit the characteristic of having an appropriate subject matter, ~~or it may be appropriate for the practitioner to (b) determine that a selected~~ **procedures engagement is appropriate if the practitioner's report alerts users that selected procedures were performed only on one part of the broader subject matter** ~~consider whether information about the aspect that the practitioner is asked to perform selected procedures on is likely to meet the information needs of intended users.~~

In conducting a selected procedures engagement, the objectives of the practitioner are to apply procedures to the subject matter and issue a written practitioner's report that describes the procedures applied and the practitioner's findings. We believe paragraph 26.b ii. and its related guidance paragraphs A32 through A42 should be deleted because (a) the practitioner does not determine suitability in a selected procedures engagement and (b) the "evaluation of the subject matter" implies a level of assurance that does not align with the objectives of the standard.

As stated previously, if paragraph A32 is retained, we believe its last bullet point should be embedded in related requirements paragraph 26. Also, if paragraph A32 is retained, we believe its remaining bullet points should be revised to read as follows (additions are shown in bold font and deletions are struck through):

A32 Suitable criteria exhibit all of the following characteristics:

- *Relevance.* Criteria are relevant to the subject matter.
- *Objectivity.* Criteria are free from **material** bias.
- *Measurability.* ~~Criteria~~ **Procedures performed** permit ~~reasonably consistent measurements of subject matter~~ **evaluation of evidence**, qualitative or quantitative, **of subject matter to support findings.**

If paragraph A33 is retained, we believe it should be revised to read as follows (additions are shown in bold font and deletions are struck through):

A33 ~~Criteria can be developed~~ **Procedures to be performed may be designed** in a variety of ways, for example, they may be

- embodied in laws or regulations.
- issued by authorized or recognized bodies of experts that follow a transparent due process.
- developed collectively by a group that does not follow a transparent due process.
- published in scholarly journals or books.
- developed for sale on a proprietary basis.
- specifically designed for the purpose of measuring, evaluating, or disclosing the subject matter in the particular circumstances of the engagement.

~~How criteria are developed may affect the work that the practitioner carries out to assess their suitability.~~

If paragraph A37 is retained, we believe it should be revised to read as follows (additions are shown in bold font and deletions are struck through):

A37 Regardless of who ~~establishes~~ **designs** or develops the ~~criteria~~ **procedures to be performed**, ~~the engaging party is responsible for determining that such criteria are appropriate for the purposes of the engagement~~ **the engagement letter and the practitioner's report should state who has this responsibility.**

If paragraph A38 is retained, we believe it should be revised to read as follows (additions are shown in bold font and deletions are struck through):

A38 Some ~~criteria~~ **procedures to be performed** may be suitable for only a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the ~~criteria~~ **procedures**. For example, **procedures related to** criteria set forth in a lease agreement for override payments may be suitable only for reporting to the parties to the agreement because of the likelihood that such ~~criteria~~ **procedures** would be misunderstood or misinterpreted by parties other than those who have specifically ~~agreed to determine~~ the ~~criteria~~ **procedures to be performed**. ~~Such criteria can be agreed upon directly by the parties or through a designated representative.~~ **If the procedures to be performed are suitable for only a limited number of parties, an agreed-upon procedures engagement in which the practitioner's report includes an alert that restricts the use of the report to those parties should be performed.**

Procedures to Be Performed

In paragraph A67, we believe it would be helpful if the term "read" was added to the list of actions that generally are not acceptable. The term "read" is not sufficiently precise and may have an uncertain meaning; therefore, "read" should not be used in describing the selected procedures.

Using the Work of a Practitioner's External Specialist

Paragraph A71 lists examples of circumstances in which it may be appropriate to involve a practitioner's external specialist to assist the practitioner in the design or performance of one or more procedures. Some of the examples listed, such as attorneys and environmental engineers, are specialists that larger firms may employ internally, but which typically are not employed by smaller firms. Per paragraph 40, it appears that if an internally employed specialist assists in a selected procedures engagement, the larger firm would not describe in its report the nature of the assistance provided by the specialist; whereas, a smaller firm that needs to engage an external specialist to assist in the design or performance of procedures would need to describe the nature of the assistance provided by the external specialist. Therefore, we believe the explicit reference in paragraph 40 to the use of an external specialist may have the result of disadvantaging smaller practitioners. Also, the disclosure in a report of the assistance provided by an external specialist could cause confusion as to the responsibility of the practitioner for the procedures performed. Further, there is no requirement in AT-C section 105 for report disclosure of the assistance provided by an external specialist in other attestation engagements. We therefore suggest that paragraph 40 be deleted.

Alert That Restricts the Use of the Practitioner's Selected Procedures Report

Paragraph 54.b. requires the practitioner's selected procedures report to include an alert that restricts the use of the report if the criteria used to evaluate the subject matter are available only to specified parties. The criteria used to evaluate the subject matter are the procedures performed, and paragraph 53 requires the practitioner's report to include a list of all procedures performed and related findings. Therefore we

believe paragraph 54.b should be removed because the criteria (i.e., procedures) would be available to all those who read the practitioner's report.

Engagement Quality Control Review

Paragraph 69.b. requires the engagement quality control reviewer to perform an objective evaluation of the significant judgments made by the engagement team and the decisions reached in formulating the report. Also, paragraph A110.c. states "Other matters that may be considered in an engagement quality control review include...Whether engagement documentation selected for review reflects the work performed in relation to the significant judgments and supports the decisions reached." The only other reference to "significant judgments" in the proposed standard is in paragraph 30.c.i., which is in reference to responsibilities of the engaging party, not the practitioner. We believe that references to "significant judgments" in the engagement quality control reviewer responsibilities could imply that the practitioner's responsibilities go beyond the objectives of a selected procedures engagement that are outlined in paragraph 7. Therefore, we recommend that paragraph 69.b. and paragraph A110.c. be revised as follows (additions are shown in bold font and deletions are struck through):

- 69.b. The engagement quality control reviewer should ~~perform an objective evaluation of the significant judgments made by the engagement team and the decisions reached in formulating the report. This evaluation should include the following:~~
- i. ~~Discussing~~ significant findings or issues with the engagement partner
 - ii. ~~Reading~~ the written subject matter and the proposed report
 - iii. ~~Reading~~ selected engagement documentation relating to ~~the significant judgments the engagement team made and the related decisions it reached~~ **findings and issues arising during the engagement**
 - iv. ~~Evaluating the decisions reached in formulating the report, and considering~~ **Consider** whether the proposed report is appropriate

A110. Other matters that may be considered in an engagement quality control review include...

- c. Whether engagement documentation selected for review reflects the work performed in relation to ~~the significant judgments and supports the decisions reached~~ **findings and issues arising during the engagement**

Illustration 5: Selected Procedures Report Related to Internal Control (Including an Alert That Restricts the Use of the Report)

In the illustrative report language related to requirement paragraph 53.i., the procedure in item 1 of Illustration 5 involved only inquiry (i.e., "We inquired..."); however, the related finding indicates that certain matters were observed (i.e., Financial statements were not presented...). To eliminate the discrepancy associated with item 1, we believe either (a) the procedure should be revised to appropriately explain what was observed to evidence the finding (e.g., We selected three monthly reports to the Board of Directors and observed...), or (b) the related finding should be revised to indicate a response to the inquiry procedure (e.g., The Treasurer stated that monthly financial statements were not presented to the Board as required.).

We appreciate this opportunity to provide feedback on the proposed guidance and would be pleased to respond to any questions the Accounting and Review Service Committee, the Auditing Standards Board

Mr. Michael P. Glynn
AICPA Accounting and Review Services Committee
AICPA Auditing Standards Board
November 29, 2017
Page 8

or the AICPA staff may have about our comments. Please direct any questions to Sara Lord, National Director of Audit Services, at 612.376.9572.

Sincerely,

RSM US LLP

RSM US LLP