

P B T K

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By e-mail at mike.glynn@aicpa-cima.com

Re: Proposed Statement on Standards for Attestation Engagements, *Selected Procedures*

We are pleased to have the opportunity to provide our comments for consideration by the Accounting and Review Services Committee (ARSC) and the Auditing Standards Board (ASB) in its deliberations on the exposure draft, Proposed Statement on Standards for Attestation Engagements, *Selected Procedures* (the Proposal).

For reasons set forth in some detail in our responses to Specific Requests for Comment presented in the attachment on the following pages (principally to Specific Request for Comment 1) and summarized in our response to Specific Request for Comment 4B, we believe the proposed new service is unnecessary and of little value to any users (particularly in cases when, as suggested in the Proposal, no one takes responsibility for selecting the procedures). We believe the inclusion of services such as these among the assortment of attest products available from CPAs will serve to diminish the overall image of CPAs and value assigned by society to their work in general. Accordingly, we are opposed to the issuance of the proposed standard and believe the Proposal should be withdrawn and the project abandoned.

Although we have included our responses to Specific Requests for Comment in the attachment on the following pages, because we are generally opposed to issuing the Proposal, we have provided little or no commentary with regard to details of its content.

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We appreciate this opportunity to comment on this Proposal. A courtesy copy of this letter is being sent directly to Charles Landes, Mike Fleming and Mike Santay. Questions about these comments may be addressed to me at hlevy@pbtk.com or communicated by telephone at 702/384-1120 or 702/279-5389.

Very truly yours,



Howard B. Levy, Principal and Director, Technical Services

cc: Charles E. Landes, Vice President, Professional Standards (chuck.landes@aicpa-cima.com)
Mike Fleming, Chair, Accounting and Review Services Committee (mike.fleming@rehmann.com)
Mike Santay, Chair, Auditing Standards Board (mike.santay@US.GT.com)

Attachment

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.*

Response to Specific Request for Comment 1A The Proposal is conspicuously devoid of any persuasive language to support the explicit assertion that there is either a need or demand for such an expansion of a practitioner's available work product, or that any report consistent with the Proposal would in any meaningful way serve a public interest. Furthermore, our extensive practice experience does not support any such assertion.

We believe the notion that "there are opportunities in practice" for providing such services, as are described in the Proposal, hardly constitutes adequate justification for a standard that would enable them. Rather, the Proposal appears to be a transparent attempt to justify the standards that is both self-serving and motivated solely by a desire of certain practitioners to avail oneself of opportunities to increase revenues without complying with existing standards, rather than to provide any public service.

In fact, there are certain features of the proposed standard that would distinguish an engagement thereunder from an agreed-upon procedures service to which we object, the omission of which we see as unnecessary to achieve any legitimate public service objective. As more fully articulated in our responses below to Specific Requests for Comment 1C and 2B, these features include primarily the absence of any requirements either to include a user restriction or to identify the party responsible for selecting the procedures to be employed.

To further emphasize the lack of need for the proposed new standard, we point out that the performance of, and reporting on, selected procedures by CPAs are already permissible with a great deal of flexibility whenever the reporting practitioner takes responsibility for selecting the procedures and intended third party users, if any, need not agree to them under the AICPA's standards for consulting services.¹

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.*

Response to Specific Request for Comment 1B As discussed in our response above to Specific Request for Comment 1A, we believe there is no need for a new standard to address the objective of providing flexibility regarding the development of the procedures to be performed by the practitioner and the relative responsibilities of the parties to the engagement because this objective is already adequately met by the extant standards for consulting services, in fact, to a considerably greater extent than in the current Proposal.²

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?*

¹ We refer the ASRC and the ASB to the article written by Howard B. Levy entitled "Distinguishing Agreed-Upon Procedures from Consulting Engagements and Reports," published July 2017 by the New York State Society of Certified Public Accountants in *The CPA Journal*, (<https://www.cpajournal.com/2017/07/18/distinguishing-agreed-upon-procedures-consulting-engagements-reports/>). See also our response to Specific Request for Comment 3A.

² *Ibid.*

Response to Specific Request for Comment 1C In the event selected procedures engagements, as described in the Proposal, were to become permissible, (of which we are not in favor), we firmly believe there always should be a party who is clearly responsible for determining the sufficiency of the procedures for the intended purposes. We believe having the engaging party merely acknowledge its awareness of the selected procedures (as in paragraph 42), without accepting responsibility, to be meaningless and, therefore, of no value. Further, we believe that articulating the absence of such responsibility, as illustrated in para. 53e of the proposed standard, would be objectionable to both the engaging party and the users of the CPA's report, and despite the inclusion of such disclaimer language, users would likely default to the view that the reporting practitioner, in fact, must be responsible.

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.*

Response to Specific Request for Comment 1D As set forth in our response to Specific Request for Comment 1C, above, in the event this standard were to be adopted substantially as proposed, we believe there always should be a party who is deemed responsible for determining the sufficiency of the procedures for the intended purposes. Therefore, we cannot comment upon the proposed reporting requirements under condition a. in this Specific Request for Comment. We believe the proposed reporting requirements under conditions b. and c. in this Specific Request for Comment are appropriately communicated (once again, assuming the standard were to be adopted substantially as proposed).

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.*

Response to Specific Request for Comment 2A We firmly believe that use of such reports, if permitted, should always be restricted to identified users who can reasonably be expected to understand the limitations on the related services, most particularly as they are distinguished from audit services. We do not believe it would be prudent for a practitioner knowingly to accept the risk of exposure to liability to an unknown body of potential users of such a report. Further, we believe insurers would be reluctant to afford liability coverage at reasonable costs to firms that engage in such reporting practices to any significant degree,

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?*

Response to Specific Request for Comment 2B We are in favor of requiring disclosure of the party or parties that determined the procedures performed by the practitioner, but as set forth in our response to Specific Request for Comment 2A, above, we are opposed to permitting selected procedures reports for general use.

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?*

Response to Specific Request for Comment 3A We believe that if the application of selected procedures is not intended to lend credibility to an assertion of the engaging party, or if the assertion is not the responsibility of the engaging party, the engagement is not, and should not be characterized as, an attest service but rather should be conducted under the extant consulting standards, and accordingly, a written assertion should not be required. On the other hand, if the procedures are applied for the purpose of lending credibility to an assertion of the engaging party, it is an attest service, and should be conducted as, and subject to all the constraints of, an agreed-upon procedures engagement. In such cases, we believe the reporting practitioner should be required to obtain a written assertion.

The Proposal suggests (inappropriately in our opinion) on p. 4 of the explanatory memorandum therein that in a selected procedures attest engagement, “the appropriate party may not have the ability or may not otherwise be willing to perform its own measurement or evaluation of the subject matter,” but it does not suggest, as we believe it should, that such a circumstance would likely constitute a scope limitation with reporting consequences, or that the reporting practitioner’s assumption of such responsibility would likely constitute an independence impairment that would require nonacceptance of, or withdrawal from, the engagement unless it were to be conducted as a consulting service,

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.*

Response to Specific Request for Comment 3B It is difficult to imagine what representations (whether set forth in paragraph 46 or not) would have any significance in the absence of a written assertion or an acknowledgment of responsibility for selecting the procedures performed. Moreover, we believe the would-be mandatory representations listed in paragraph 46 are unwieldy and difficult to understand, impractical, unlikely to apply in many circumstances and of little or no value given their inherent unreliability and the absence of any assurance to be provided by the reporting CPA.

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.*

Response to Specific Request for Comment 4A As we have stated in the second paragraph of this letter and in our response to Specific Request for Comment 4B, below, we do not believe CPAs should ever be permitted to conduct a selected procedures engagement as described in the Proposal, but rather, in circumstances when one might be either requested or contemplated, it should be accepted only as an agreed-upon procedures or consulting engagement (see Specific Requests for Comment 1A, 1B 3A).

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.*

Response to Comment 4B For reasons set forth throughout this letter, and primarily because of the lack of any apparent evidence of significant market demand or any potential benefit in terms of public service, and the considerable exposure to liability to practitioners who would provide such services, we are generally opposed to the Proposal in its entirety and request that it be withdrawn and the project be abandoned.