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December 1, 2017

SENT VIA EMAIL

Mr. Mike Glynn
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036-8775

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

Dear Mr. Glynn:

We appreciate the opportunity to share our views on the proposed Statement on Standards for Attestation Engagements, *Selected Procedures* (the “proposed standard”).

Moss Adams LLP is the largest accounting and consulting firm headquartered in the western United States, with a staff over 2,900, including more than 310 partners. Founded in 1913, the firm serves public and private middle-market business, not-for-profit, and governmental organizations across the nation through specialized industry and service teams.

We support the efforts of the American Institute of Certified Public Accountants to expand a practitioner’s ability to perform procedures and report on such procedures in a format beyond what is currently provided by AT-C section 215, *Agreed-Upon Procedures Engagements*. While we support the added flexibility for a practitioner to assist in the development of procedures and that no party would be required to take responsibility for the sufficiency of the procedures for their intended purposes, we have reservations about certain aspects of the proposed standard. In particular, we are concerned that providing a general-use report as a result of a selected procedures engagement could result in report users placing undue reliance upon the report, misunderstanding whether the report is suitable for their own purposes. Certain reporting requirements are strengthened by what we believe is the critical phrase included in the illustrative report language that says “We were engaged by [the engaging party] ...”, and we believe the reporting requirements should be more explicit to require a statement that the practitioner was engaged by the engaging party to perform the specified procedures. We also believe the report should be required to include a statement that no party takes responsibility for the subject matter, when applicable.

Mr. Mike Glynn
American Institute of Certified Public Accountants
December 1, 2017

Our responses to specific requests for comments in the proposed standard are presented in the Appendix to this letter. If you require further information regarding our response, please contact Erica Forhan, Partner in our Professional Practice Group, at 206-302-6826 or by e-mail at Erica.Forhan@mossadams.com.

Sincerely,

Moss Adams LLP

Appendix - Responses to Specific Requests for Comment in the Proposed Standard**Issue 1—Nature of the Proposed Service and Development of the Procedures to Be Performed**

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 instances in practice where this expansion would be useful and provide the opportunity to provide services that would not be able to be completed under the current AT-C section 215. For example, one of the parties is a large group, such as shareholders of a corporation, and there is no mechanism in place to identify a representative of the group and not all group members are able to take responsibility for the sufficiency of the procedures for their own purposes. This could be due to practicality, low involvement in the working of the larger shareholder group, lack of knowledge about the criteria, and so on. In such a case, a selected procedures engagement would allow greater flexibility to a practitioner and the engaging party to meet the needs of the engaging party and other specified parties. Similar examples include a homeowners’ association (engaging party is the association and the other parties would be current and future members of the association) and a cooperative association (engaging party is the cooperative and the other parties would be current and future members of the cooperative or vendors or suppliers). There are several other instances we have seen in practice where, due to the inability of the parties to formulate procedures, or the unavailability or unwillingness of the other party (often a governmental agency) to be specific about what it wants and formally agree to procedures, although while it still maintains a rigid requirement for the company to provide them with something from their accountants, an agreed-upon procedures engagement is not suitable, or cannot be completed while complying with all of its requirements. A selected procedures engagement, with fewer requirements and restrictions than an agreed-upon procedures engagement, could be useful in those circumstances.

However, whether this type of engagement is in the public interest, or in the interest of the profession, is debatable. We are troubled that the decision to perform an agreed-upon procedures engagement versus a selected procedures engagement would be marketplace driven, without restriction or guidance on when one type of engagement would be expected rather than another. We have found that even in challenging situations we can often work with engaging parties and other specified parties to meet the preconditions and terms of an agreed-upon procedures engagement. The parties’ agreement to the procedures and the resulting restricted use report that discloses this afford a measure of protection for the parties as well as the practitioner that we believe is in the public interest; the decision to depart from that requires prudence.

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.

In practice it is often difficult for the parties to draft procedures that are suitable, comply with the attestation standards, and provide an appropriate level of precision. The ability for the practitioner to assist in developing the procedures is clearly addressed in the exposure draft and does provide a valuable expansion of the current standards. This flexibility is also valuable in situations where not all



parties to the report may be known or able to take responsibility for the sufficiency of the procedures for their purposes.

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?

There are certain circumstances in practice where it would be helpful if no party would be required to take responsibility for the sufficiency of the procedures for their intended purposes. A specific example is when one party cannot take responsibility for the sufficiency of the procedures, such as the aforementioned example when one of the parties is a large group of shareholders. There are also circumstances in which it would not be reasonable to require the engaging party to take responsibility for the sufficiency of the procedures for its own purposes, especially when this is included in the report, when the engaging party's interests are in opposition to the interests of the other parties. However, we do have concerns that when no party takes responsibility for the sufficiency of the procedures for their purpose, the users of the report may look to the practitioner as taking responsibility for the sufficiency of the procedures to meet the needs of the report user. This is especially troubling when a general use report is provided. Paragraph 53f of the proposed standard requires that the report include a statement that the procedures performed may not address all items of interest to a user and may not meet the needs of all users and, as such, users are responsible for the sufficiency of the procedures for their intended purpose. This is critically important in addressing our concern and plays a vital role in helping users understand their responsibilities along with the responsibilities of the engaging party and the practitioner, and should remain as a requirement.

We also believe that there is a difference between taking responsibility for the identification of the procedures and taking responsibility for the sufficiency of the procedures for their intended purpose. Taking responsibility for the identification of the procedures relates to the determination of which procedures will be performed whereas taking responsibility for the sufficiency of the procedures for their intended purposes relates to whether the identified procedures meet the intended needs of the parties. While we agree that under certain circumstances, no party should be required to take responsibility for the sufficiency of the procedures for their intended purposes, we believe that at least the engaging party needs to take responsibility for the identification of the procedures to be performed. We recommend that the report requirements in paragraph 53 of the proposed standard be strengthened to not only identify the engaging party (paragraph 53c), but to also include a more explicit requirement for a statement that the practitioner was engaged by the engaging party to perform the specified procedures. There is a critical phrase included in the illustrative report language that says "We were engaged by [the engaging party] ...". Through this language the engaging party takes responsibility for identifying the procedures performed, while still allowing no party to take responsibility for the sufficiency of the procedures to be performed.

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**



The proposed report language provides clear and reasonable options to identify what parties, if any are taking responsibility for the sufficiency of the procedures for their intended purposes. However, as discussed in our response to 1C, we believe additional language should be added to communicate the party taking responsibility for the identification of the procedures. Additionally, we recommend that the report requirements in paragraph 53 of the proposed standard be amended to include a statement that the engaging party is responsible for determining that the criteria are appropriate for the purposes of the engagement.

We do have concern over the option for the practitioner to take responsibility for the sufficiency of the procedures. We believe the practitioner taking responsibility for the sufficiency of the procedures would create an expectation gap in the level of assurance provided by the engagement. In addition, in concept, one could interpret a practitioner taking responsibility for the sufficiency of the procedures as establishing a basis for expressing an opinion, which is inconsistent with the objectives of the proposed selected procedures engagement. Further, the fact of this option may create scenarios in which parties to an engagement insist or put pressure on a practitioner to take responsibility for the procedures because it is an option under the proposed standard, even though it is not appropriate for a practitioner to do so. Although it reduces some of the flexibility of the proposed standard, it will increase protection of the public, especially in the case of general-use reports. We believe this option should be removed from the proposed standard, however if it is retained, illustrative report language should be provided.

Issue 2—Use of the Report

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

The ability to issue a general-use selected procedures report is problematic for practitioners in that they are unable to establish an agreement in writing with the users of the report and identify those who will be relying upon their work. While we believe there are certain circumstances where all specific parties may not be fully known, we believe that there should be a description of the intended parties within the report, thereby restricting its use. The identification of the intended parties could provide the option to describe the parties fairly broadly, such as “all shareholders,” “all tenants,” or “visitors to the website (where the report is posted).” We further believe that paragraph 30 of the proposed standard should include a requirement for the practitioner to obtain a written agreement from the engaging party documenting the intended distribution and use of the report.

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?

As described in our response to 2A, we do not believe that general-use reports for selected procedures engagements should be permitted. As described in our response to 1C, we believe that disclosure of the party or parties that determined the procedures to be performed by the practitioner be included in all reports.

**Issue 3—Requesting or Obtaining an Assertion from a Responsible Party****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 agree there are certain circumstances, such as those outlined in the proposed standard, in which the party responsible for the subject matter would not be required to provide a written assertion. However, we believe that obtaining a written representation from the responsible party should be presumptively mandatory. We recommend amending the language in paragraph 47 of the proposed standard as follows:

If the engaging party is not responsible for the subject matter of the engagement, 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.

In those circumstances where it is not feasible to obtain a written representation from the responsible party, we believe a statement to that effect should be included in the report. We recommend amending paragraph 53 of the proposed standard to include “an identification of the party who takes responsibility for the subject matter or a statement that neither the practitioner nor the engaging party takes such responsibility”.

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.

With the exception of the matter discussed in 3A, we believe that the proposed standard addresses the representations that the practitioner should be required to request in a selected procedures engagement.

Issue 4—The Proposed Standard Versus an Agreed-Upon Procedures Engagement**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.**

As discussed in our response to 1C, we are troubled that the decision to perform an agreed-upon procedures engagement versus a selected procedures engagement would be marketplace driven, without restriction or guidance on when one type of engagement would be expected rather than another. Situations in which the practitioner should be precluded from performing a selected procedures engagement include 1) the procedures to be performed are contractually defined between two or more parties, and 2) the procedures are identified by, and with the explicit purpose to satisfy, a regulatory or oversight body.



4B. Do you believe the proposed standard should be included in the professional literature (a) as revisions to AT-C 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 can identify both positive and negative aspects to codifying the proposed standard within AT-C 215 and as a separate AT-C section. Codifying the requirements together would potentially make it easier for the practitioner to compare and contrast the two types of engagements. However, this also increases the risk of the practitioner to conflate the two types of engagements, resulting in the inappropriate application in practice of the requirement for a chosen engagement type. Codifying the selected procedures standard as a stand-alone AT-C section would help the practitioner clearly distinguish the requirements for each of these types of engagements. This comes at the risk of repetition in the standards as many of the provisions are consistent with AT-C 215, contrary to the benefits achieved in the recent clarification and re-codification of the attestation standards. The differences between selected procedures engagement guidance and agreed-upon procedures engagement guidance would also not be as noticeable.

The disposition of this question should largely depend on the content of the final selected procedures engagements requirements. If the final requirements are significantly different from an agreed-upon procedures engagement, such as how the proposed standard is currently written, we support codifying it as a stand-alone AT-C section. This will help distinguish the requirements for each engagement type and prevent conflation of the two standards. If the final selected procedures engagements requirements are marginally different from an agreed-upon procedures engagement, such as if the ability for no party to take responsibility for the sufficiency of procedures and ability to issue a general-use report are eliminated from the proposed standard, we support incorporating them as a revision to AT-C 215.

A third alternative to consider is codifying the provisions that are consistent between the two standards in one section and codify the differing provisions for each standard separately. This may achieve the best of both options, allowing for better differentiation of the two engagement types while minimizing repetition in the attestation standards.