

December 7, 2017

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

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

Dear Mr. Glynn:

Deloitte & Touche LLP ("D&T," "our," or "we") is pleased to respond to the request for public comment from the Accounting and Review Services Committee (ARSC) and the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) (collectively the "Committees") on its proposed Statement On Standards for Attestation Engagements (SSAE), *Selected Procedures* (the "proposed SSAE"). We support the issuance of this proposed SSAE and believe that there are opportunities in practice, and in the public interest, 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* (AT-C 215).

However, we have the following overriding observations pertaining to:

- Taking responsibility for the sufficiency of the selected procedures.
- Independence.
- Concepts common to all attestation engagements.
- The IAASB's Agreed-Upon Procedures Project.

Taking responsibility for the sufficiency of the selected procedures

D&T agrees that for a selected procedures engagement, the procedures can be developed by the practitioner, the engaging party, another party, or a combination of these parties; however, we believe that as a precondition to accepting the engagement, the engaging party should be required to take responsibility for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement (as determined by the engaging party).

If the engaging party does not take responsibility for the sufficiency of the procedures, we believe that this could lead to an expectation gap whereby there would be an increased risk that users of the report would infer the practitioner's responsibility for the sufficiency of the selected procedures. Further, if no party takes responsibility for the sufficiency of the procedures as stated in paragraph 1 of the proposed SSAE, users of the report may claim that they have determined that the procedures are not appropriate despite cautionary language in the practitioner's report indicating that the procedures may not meet all the needs of the users. This is because there is a presumption based on current practice that a party is taking such responsibility. The comments relating to Independence below highlight other considerations regarding why we believe it is necessary for the engaging party to take responsibility for the sufficiency of the selected procedures.

Accordingly, we recommend that the requirements be revised to reflect that the engaging party takes responsibility for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement. This would result in modifications to:

- the preconditions,
- the terms of the engagement,
- the written representations, and
- the reporting elements.

We have provided suggested edits in our response to Comment 3B, included in Appendix A, and in our comments on paragraphs 26, 30 and 53, included in Appendix B.

Independence

We do not believe that the proposed SSAE aligns with the existing SSAE framework in Interpretation 1.297.010, *Application of the Independence Rule to Engagements Performed in Accordance With Statements on Standards for Attestation Engagements* of the AICPA Code of Professional Conduct (the "Code"). Consequently, we are concerned that performance of a selected procedures engagement could create threats to compliance with the "Independence Rule" [1.200.001]. We have the following specific concerns:

- Interpretation 1.297.010 states, in part, that "...when performing engagements to issue reports in accordance with the SSAEs, when independence is required.... the covered member¹ needs to be independent with respect to the responsible party(ies), as defined in the SSAEs." However, the proposed SSAE does not define "responsible party" nor does it require there to be a responsible party (refer to paragraph 30*b* of the proposed SSAE). Accordingly, under these circumstances, it is not clear how practitioners would apply the current Code for these types of engagements. In addition, it is not clear from which party the practitioner would be expected to maintain independence.
- Furthermore, we believe that the proposed SSAE could affect our independence as it relates to the subject matter. As stated above, Interpretation 1.297.010 requires that "the covered member needs to be independent with respect to the responsible party(ies)." Paragraph .10 of AT-C section 105, *Concepts Common to All Attestation Engagements* (AT-C 105), defines responsible party as "the party(ies) responsible for the subject matter. If the nature of the subject matter is such that no such party exists, a party who has a reasonable basis for making a written assertion about the subject matter may be deemed to be the responsible

¹ Refer to paragraph .12 of ET section 0.400 for the definition of covered member.

party." Paragraph 26 of the proposed SSAE requires that the practitioner does not take responsibility for the subject matter but does not require another party to take responsibility for the subject matter. Rather, for purposes of agreeing on the terms of the engagement with the engaging party, paragraph 30a(v) of the proposed SSAE requires the identification of either the party that is responsible for the subject matter of the engagement or the source of the subject matter; however, "responsible party" as defined in paragraph .10 of AT-C 105 does not include the concept that a responsible party can also be the "source of the subject matter." Further, paragraph A47 of the proposed SSAE states that "there may be circumstances in which no party is responsible of the subject matter of the engagement" which we believe is contrary to the underlying premise in Interpretation 1.297.010 of the Code.

- Paragraph .01 of ET section 0.300.050 states "that a member in public practice should be independent in fact and appearance when providing auditing and other attestation services." We do not believe that the practitioner would maintain independence in fact and appearance if the practitioner is able to (1) develop the selected procedures, and (2) assume responsibility for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement (see paragraph 1 of the proposed SSAE), as currently permitted by the proposed SSAE.
- Paragraph 1 of the proposed SSAE states that "... the practitioner, the engaging party, another party, or a combination of these parties, none of whom are required to take responsibility for the sufficiency of the procedures for any purpose; however, any or all may take such responsibility." Paragraph .13 of ET section 1.000.010 defines the management participation threat as "the threat that a member will take on the role of client management or otherwise assume management responsibilities." In our view, such a threat could be considered to exist if the practitioner is responsible for the sufficiency of the selected procedures.

As discussed above, we recommend that the proposed SSAE be revised to require that the engaging party take responsibility for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement. In addition, we believe that in order for the proposed SSAE to align with the existing Code, the proposal should require a responsible party (other than the practitioner) to assume responsibility for the subject matter. The concept of a responsible party should therefore be reinserted in the proposed SSAE and included as a definition in paragraph 8. Absent such revisions to the proposed SSAE, we believe that modifications to the AICPA *Code of Professional Conduct* and to the definition of responsible party included in AT-C 105 are necessary to incorporate guidance on the application of the independence rules to engagements contemplated under this proposal.

In addition, we believe that the Committees should work with the Professional Ethics Executive Committee (PEEC) of the AICPA to address comments arising from this proposal and consideration should be given to conducting a joint session of the ARSC, ASB and PEEC to discuss the comments and their resolution prior to the finalization of the proposed SSAE.

Concepts common to all attestation engagements

D&T believes that it would be in the best interest of the public to consider both the proposed SSAE and the *Direct Engagements* proposal, currently being considered by the ASB, at the same time due to interrelated matters (for example, the potential to eliminate the requirement to request a written assertion). As noted in the Explanatory Memorandum (EM) to the proposed SSAE, the paragraphs relating to AT-C 105 were amended to address the unique circumstances of a selected procedures engagement and were incorporated into the proposed SSAE for purposes of presentation. However, assuming the proposed SSAE is released as a final standard, it is noted in the EM that those paragraphs relating to AT-C 105 would not be included in the final standard, but instead conforming amendments would be made to the AT-C 105. Separately, there may be further amendments to AT-C 105 resulting from the ongoing *Direct Engagements* project that may also

affect the proposed SSAE. The multiple amendments to AT-C 105, and any resulting unintended consequences caused by not simultaneously considering the proposed SSAE and the *Direct Engagements* proposal will likely cause confusion to the stakeholders.

D&T recommends that the finalization of the proposed SSAE be delayed such that issues relating to both the impending *Direct Engagements* proposal and the proposed SSAE be addressed together. This will allow for the issues raised in the comment process for both proposals that collectively impact the SSAEs, to be addressed in a consistent and thoughtful manner by the Committees.

The IAASB's Agreed-Upon Procedures Project

The ASB has a strategic objective to converge its auditing, attestation, and quality control standards with those of the International Auditing and Assurance Standards Board (IAASB) and the IAASB currently has an ongoing project relating to International Standards on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. While we acknowledge the scope of the *Agreed-Upon Procedures* project is primarily a clarity redraft, we recommend that the Committees consider the outcome of the IAASB's deliberations as it relates to the *Agreed-Upon Procedures* project, and the resulting implications, if any, on the proposed SSAE.

These and other matters are discussed in further detail in the following appendices, as applicable:

- Appendix A — Issues for Consideration (specific feedback requested by the ARSC).
- Appendix B — Other Specific Issues (including areas for additional discussion and editorial recommendations).
- Appendix C — Illustrative Selected Procedures Reports.

* * *

D&T recommends that the Committees consider these overriding observations as well as the other matters outlined in the appendices in determining a path forward in finalizing the proposed SSAE. We would be pleased to discuss our letter with you at your convenience. If you have any further questions, please contact Dora Burzenski at +1 206 716 7881.

Sincerely,

Deloitte & Touche LLP

Appendix A — Issues for Consideration

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.

Circumstances when a practitioner may perform a selected procedures engagement in accordance with the proposed SSAE include:

- When there are numerous specified parties, it may be challenging to have all of the specified parties agree to the sufficiency of the procedures due to the nature or number of specified parties.
- When a regulator has a requirement for an independent third party to perform a service, the level of service or the nature of the procedures are not clearly identifiable in the regulation, and it is not possible to have direct communication with the regulator in order to obtain agreement of the procedures performed and to have the regulator agree to the sufficiency of the procedures.
- When an entity requests a general-use report and believes that performing procedures and reporting our findings will meet the needs of the users of the report (for example, procedures on the results of the tabulation of ballots for an awards show) the engagement would not be able to be performed as an agreed-upon procedures engagement because in an agreed-upon procedures engagement the practitioner's report is required to include an alert to restrict the use of the report.

However, as explained in our response to Comment 4A, we believe there should be appropriate parameters for performing such engagements.

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 objective of providing flexibility regarding the development of the procedures to be performed by the practitioner is appropriately addressed in paragraph 1 of the proposed SSAE which states that the selected procedures may be developed by the practitioner, engaging party, another party, or a combination of these parties appropriately addresses this objective.

As it relates to responsibilities of the parties to the engagement, please refer to our response to Comment 1C.

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?

As stated in our overriding observations, we believe that as a precondition to accepting the engagement, the engaging party should be required to take responsibility for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement.

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

Please refer to our response to Comment 1C.

b. When the practitioner, the engaging party, another party, or a combination of these parties take responsibility for the sufficiency of the procedures

As discussed in our overriding observations relating to taking responsibility for the sufficiency of the selected procedures, we recommend modifying the reporting requirements to include a statement that the engaging party takes responsibility for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement (refer to our editorial recommendation in Appendix B relating to paragraph 53e).

c. The responsibilities (or lack thereof) of the practitioner, engaging party, and the party responsible for the subject matter

As discussed in our overriding observations relating to Independence, we recommend that paragraph 53d of the proposed SSAE be revised to require identification of the party, other than the practitioner, who has taken responsibility for the subject matter (refer to our editorial recommendation in Appendix B relating to paragraph 53d).

d. The limitations of the engagement

We believe the proposed reporting requirements appropriately address the limitations of the engagement, except when the report is intended only for use by the engaging party. In such cases, we do not believe it is appropriate or necessary to include the statement required by paragraph 53f 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 and, as such, users are responsible for the sufficiency of the procedures for their intended purpose.” In such circumstances, we believe that the report should include an alert that restricts the use of the report to the engaging party and the procedures developed should address the items of interest to the engaging party (refer to our editorial recommendation in Appendix B relating to paragraph 53f).

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.

We agree with the permission of general-use selected procedures reports and that the determination of whether a report is to be general-use or include an alert to restrict the use should be an engagement-by-engagement decision.

We recommend providing application guidance for the practitioner in determining whether it is appropriate to have a general-use report. For example, consideration may be given to the following:

- Intended purpose of the engagement and whether a general-use report supports the purpose.
- If a general-use report could increase the risk that the users of the report may misunderstand the information provided.

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 believe it is irrelevant who developed the procedures if the engaging party takes responsibility for the sufficiency of the selected procedures and the practitioner's report includes such a statement. Further, as discussed in our overriding observations about Independence, including maintaining independence in fact and appearance, we do not believe it is appropriate to disclose in the selected procedures report that the practitioner developed the procedures. Doing so could imply the practitioner is taking responsibility for the sufficiency of the selected procedures.

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 that 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 consider when it might be appropriate for the responsible party to provide a written assertion in a selected procedures engagement. For example, it may be appropriate for the practitioner to request a written assertion from the responsible party when the responsible party is in the position to, or has performed its own measurement or evaluation of the subject matter (refer also to our editorial recommendation in Appendix B relating to paragraph 2a).

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 following additional representations should be requested and that paragraph 46 be amended accordingly:

- State that the engaging party is responsible for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement.
- State the established materiality limits, when applicable.
- State that the engaging party has disclosed to the practitioner its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the entity and the subject matter (this representation is consistent with responsibilities of the engaging party included in paragraph 30c of the proposed SSAE).

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.

D&T believes that it is necessary to provide a framework in the proposed SSAE for the practitioner to use to assist with the determination of the appropriate attest service to perform (for example, agreed-upon procedures engagement versus a selected procedures engagement). We also believe that examples should be provided that demonstrate how such framework might be applied and when it might be more appropriate to select one type of engagement over another. We believe that

if the proposed SSAE is finalized as drafted, there is a risk that engaging parties may request the performance of a selected procedures engagement so as to avoid having to take responsibility for the sufficiency of the procedures, even if they are in a position to do so (an outcome which we believe would be inappropriate and not in the public interest).

Therefore, we also believe it is important to describe situations in which a practitioner should be precluded from performing a selected procedures engagement. In those situations where the attestation standards do not allow for performance of an agreed-upon procedures engagement, a selected procedures engagement should also not be allowed. For example, as stated in paragraph .38 of AT-C section 305, *Prospective Financial Information*, an agreed-upon procedures engagement should not be performed on a forecast or projection unless the prospective financial information includes a summary of significant assumptions. Likewise, neither should a selected procedures engagement be performed unless the same precondition is satisfied.

We also believe it is important to describe situations when it may be inappropriate for an engaging party not to take responsibility for the subject matter.

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.

The determination of where to include the proposed SSAE should be in the best interest of stakeholders, and thoughtful consideration should be given to appropriate "placement" of this proposal under the SSAE umbrella.

We believe that the proposed SSAE should not be included in AT-C 215, as this could lead to confusion in practice, especially since existing contracts or regulations contemplate the performance of an agreed-upon procedures engagement in accordance with AT-C 215. To avoid confusion, we recommend including the proposed SSAE as a separate, stand-alone AT-C section.

Appendix B — Other Specific Issues

The editorial recommendations are highlighted as follows: Additions are noted in bold underline and deletions are noted in strike-through text.

We noted some of the paragraph references were not accurate. D&T recommends a holistic review of the proposed SSAE for appropriate paragraph references throughout to ensure all references are complete and accurate.

Use of Terminology – Underlying Subject Matter and Subject Matter Information

We believe it is important to differentiate the concept of underlying subject matter and subject matter information, similar to the approach taken in International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000), issued by the IAASB. Underlying subject matter is used in the section relating to *Considerations of Subsequent Events* (paragraphs 59 and A107); however, underlying subject matter is not defined in the proposed SSAE. Using appropriate terminology will result in the requirements and related application material being drafted in a more precise manner, allowing for both the practitioner and the users to better understand the concepts and nuances being conveyed by the proposed SSAE. This is also another area that should be considered when the Committees deliberate the *Direct Engagements* proposal.

The editorial recommendations to the paragraphs below have been drafted taking into account the use of phrases “underlying subject matter” and “subject matter information.”

Paragraphs 1, 2c, 3 and 8

The term “another party” is used in paragraphs 1, 2c, 3 and 8 (definition of “selected procedures”) in the context of describing which parties may develop the selected procedures or take responsibility for those procedures; however, “another party” is not defined in the proposed SSAE or in AT-C 105, unlike the “engaging party”, “practitioner” and “responsible party” (in existing AT-C 105 literature). Accordingly, we recommend adding application guidance that provides examples of another party that may develop the procedures such as a legislative body, a regulator, or other expert bodies.

Paragraph 2a

As noted in our response to Comment 3A, we recommend providing new application material related to paragraph 2a for the practitioner to consider when it might be appropriate for the responsible party to provide a written assertion in a selected procedures engagement.

2a In a selected procedures engagement, the practitioner is not required to request or obtain an assertion from any party. **(Ref: par. A4)**

A4 The practitioner may consider when to request a written assertion from the responsible party. In certain circumstances it may be appropriate for the practitioner to request a written assertion from the responsible party. For example, in circumstances when the engaging party is the responsible party and is in the position to perform its own measurement or evaluation of the underlying subject matter.

Paragraph 2b

We believe that paragraph 2b should be consistent with the language in paragraph .10a of AT-C 215 which states that the specified parties agree on the procedures performed or to be performed by the practitioner; accordingly, we recommend modifying the language in paragraph 2b, as follows:

2b In a selected procedures engagement, there is no requirement regarding who determines the procedures to be applied and the practitioner may determine such procedures. In an agreed-upon procedures engagement, the specified parties ~~determine the procedures they believe to be appropriate to be applied by the practitioner~~ **agree on the procedures performed, or to be performed, by the practitioner.**

Paragraphs 3 and 4

Paragraphs 3 and 4 are consistent with paragraphs .A2 and .A3 of AT-C 105; accordingly, we believe these paragraphs should instead be included as application material as paragraphs A5 and A6, respectively, in the Introduction section of the proposed SSAE. Further, we believe paragraph .03 of AT-C 105 is relevant and should be included in the proposed SSAE as paragraph 3. Accordingly, we recommend adding the following paragraph as a requirement:

3 This proposed section is not applicable to professional services for which the AICPA has established other professional standards, for example, services performed in accordance with (Ref: par. A5-A6)

a. Statements on Auditing Standards.

b. Statements on Standards for Accounting and Review Services, or

c. Statements on Standards for Tax Services.

We also recommend adding clarifying language to new application material paragraph A5 to indicate the appropriate standards that would apply to litigation services. The subsequent application material paragraphs would have to be renumbered.

Paragraph A3

We recommend modifying paragraph A3 to include additional application material to suggest that the practitioner may consider the purpose of performing a selected procedures engagement when an agreed-upon procedures engagement has been performed on the same underlying subject matter.

A3 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 underlying subject matter. **Prior to accepting a selected procedures engagement, when an agreed-upon procedures engagements has already been performed on the same underlying subject matter, it may be appropriate for the practitioner to consider whether there is reasonable justification to perform a selected procedures engagement on the same underlying subject matter.**

Paragraph 7

Similar to the objectives outlines in other AT-C sections, D&T recommends adding the objective, "communicate further as required by relevant AT-C sections," as illustrated below:

Objectives

7 In conducting a selected procedures engagement, the objectives of the practitioner are to

- a. apply procedures to the underlying subject matter, ~~and~~
- b. issue a written practitioner's report that describes the procedures applied and the practitioner's findings, ~~and~~
- c. communicate further as required by relevant AT-C sections.

Paragraphs 8 and A31

As it pertains to the definition of "engagement circumstances," D&T believes additional clarification is necessary to address the common information needs of intended users known at the time of the engagement, and not all possible intended users. We also believe that the definition should be modified to make it applicable for selected procedures engagement and to provide further clarification regarding the parties to the engagement. These suggestions are illustrated below:

8. Engagement circumstances. The broad context defining the particular engagement, which includes the terms of the engagement; the characteristics of the underlying subject matter; the criteria; the common information needs of the intended users known at the time of the engagement as determined by the engaging party; relevant characteristics of the ~~entity~~ engaging party and, if different, the ~~engaging~~ party responsible for the underlying subject matter and their environment as it relates to the underlying subject matter; and other matters, for example, events, transactions, conditions and practices, and relevant laws and regulations, that may have a significant effect on the engagement.

A31 In such cases, in determining whether the engagement exhibits the characteristic of having an appropriate underlying subject matter, it may be appropriate for the practitioner to consider whether information about the aspect that the practitioner is asked to perform selected procedures on is likely to meet the common information needs of intended users known at the time of the engagement as determined by the engaging party.

Furthermore, as discussed in our overriding observations about Independence, we believe that in order for the proposed SSAE to align with the existing Code, the proposal should require a responsible party (other than the practitioner) to assume responsibility for the subject matter. Accordingly, we recommend adding the following definition for "responsible party" to paragraph 8 and building the concept of a responsible party into the proposed SSAE:

8 Responsible party. The party(ies) responsible for the underlying subject matter.

For reasons previously addressed, we recommend adding a definition for "subject matter information" and modifying the existing definition of "subject matter" to conform to the definition of "underlying subject matter" included in the ISAE 3000 as follows:

8 Subject matter information. The outcome of the measurement or evaluation of the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter.

Underlying subject matter. The phenomenon that is measured or evaluated by applying criteria.

Consequently, all instances of “subject matter” would be replaced with either “underlying subject matter” or “subject matter information.” The AICPA *Code of Professional Conduct* would need to be amended as well.

Paragraphs 19, A16-A18

D&T has proposed edits to replace the term “accountant” with “practitioner” to conform to the defined terms in the proposed SSAE.

19 In applying the guidance included in an other selected procedures publication, the ~~accountant~~ **practitioner** should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the engagement. (Ref: par. A16-A18)

A16 Other selected procedures publications have no authoritative status; however, they may help the ~~accountant~~ **practitioner** understand and apply this proposed standard. The ~~accountant~~ **practitioner** is not expected to be aware of the full body of other selected procedures publications.

A17 Although the ~~accountant~~ **practitioner** determines the relevance of these publications in accordance with paragraph 19, the ~~accountant~~ **practitioner** may presume that other selected procedures publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are appropriate.

A18 When determining whether an other selected procedures publication that has not been reviewed by the AICPA Audit and Attest Standards staff is appropriate to the circumstances of the engagement, the ~~accountant~~ **practitioner** may wish to consider the degree to which the publication is recognized as being helpful in understanding and applying this proposed standard and the degree to which the issuer or author is recognized as an authority in matters addressing selected procedures engagements. Other selected procedures publications that have not been reviewed by the AICPA Audit and Attest Standards staff that contradict an other selected procedures publication that has been reviewed by the AICPA Audit and Attest Standards staff are inappropriate.

Paragraph 26

We believe that preconditions included in subject-matter-specific sections of the attestation standards should also be applicable for selected procedures engagements specific to the same subject matter. For example, AT-C 315, *Compliance Attestation* (AT-C 315), requires that (1) management accepts responsibility for the entity’s compliance with specified requirements and the entity’s internal control over compliance, and (2) management evaluates the entity’s compliance with specified requirements. We recommend that these preconditions are incorporated into the proposed SSAE.

As noted in our overriding observations relating to taking responsibility for the sufficiency of the procedures, we believe that the engaging party should be required to take responsibility for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement. Accordingly, we recommend adding a new precondition to address this matter to paragraph 26*b* and renumbering the remaining preconditions.

Furthermore, as noted in our overriding observations relating to Independence, we believe that in order to meet the independence requirements, some party (other than the practitioner) should take responsibility for the underlying subject matter. Accordingly, we believe that the precondition

in paragraph 26a related to the practitioner not taking responsibility for the subject matter, needs to be modified to address this matter.

Our recommendations are as follows:

26 In order to establish that the preconditions for a selected procedures engagement are present, the practitioner should determine ~~both of~~ the following:

a That a party other than the practitioner ~~does not~~ takes responsibility for the underlying subject matter

b The engaging party takes responsibility for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement

Paragraph A43

D&T recommends replacing the term “entity” in paragraph A43 with “party that is responsible for the underlying subject matter,” as follows:

A43 The nature of the relationship between the ~~entity~~ party that is responsible for the underlying subject matter and, if different, the engaging party may affect the practitioner's ability to access records, documentation, and other information the practitioner may require as evidence to arrive at the practitioner's findings. Therefore, the nature of that relationship may be a relevant consideration when determining whether or not to accept the engagement.

Paragraphs 30, A47 and A48

The following edits are recommended to address considerations identified in our overriding observations above. We believe that the specified parties should be identified in the agreed-upon terms of the engagement when the selected procedures report has an alert that restricts use. We also believe that paragraph 30a(ii) should be expanded to include identification of the intended users of the report as part of the engaging party's identification of the intended purpose of the engagement. These recommendations are illustrated below:

30 The practitioner should agree on the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be described in sufficient detail in an engagement letter or other suitable form of written agreement and should include the following: (Ref: par. A45)

a Identification of the following:

i ...

ii The intended purpose of the engagement, including the intended users of the report, as determined by the engaging party (Ref: par. A46)

iii The subject matter information

iv ...

v ~~Either the~~ The party that is responsible for the underlying subject matter of the engagement ~~or the source of the subject matter, as applicable~~ (Ref: par. A47)

vi The specified parties, when applicable (Ref: par. A103)

b A statement that ~~no party~~ **the engaging party** takes responsibility for the sufficiency of the procedures ~~or an identification of the party who takes such responsibility~~ **and for determining that the selected procedures meet the intended purpose of the engagement.**

c ...

iv ...

1 Prior to the conclusion of the engagement, **acknowledgement that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement and** a written acknowledgment regarding the engaging party's ~~agreement~~ **awareness** of the **selected** procedures performed

2 ...

We also believe that the use of more detailed terminology may assist in clarifying that the responsible party is responsible for the underlying subject matter, and not the subject matter information as defined above. We recommend that paragraph A47 is clarified as illustrated below:

A47 While the engaging party or other party(ies) takes responsibility for the underlying subject matter. It there may be circumstances in which no party is responsible for the subject matter **information** of the engagement. For example, the practitioner may be engaged to perform selected procedures with respect to a benchmarking project in which multiple entities may be responsible for certain aspects of the project or the **underlying** subject matter ~~may be publicly available, such as subject matter that appears on the Internet.~~ If the practitioner is engaged to benchmark the prices of ten products at three different stores on a certain date, each of the stores may be responsible for the ~~source of the~~ **underlying** subject matter **being and** the price that is published on the shelf. As another example, if the practitioner is engaged to count the ballots of an election, although a party may be responsible for the voting process **and the ballots themselves (the underlying subject matter)**, such party is not responsible for the ~~subject matter of~~ the outcome of the election **(the subject matter information).**

Since the engaging party is taking responsibility for the sufficiency of the selected procedures, we believe the statement regarding the practitioner taking responsibility for the sufficiency of the procedures is superfluous and recommend the following modification to paragraph A48:

A48 When applicable, the practitioner's responsibilities may also include developing the procedures to be performed. ~~However, the practitioner is not required to take responsibility for the sufficiency of those procedures.~~

Paragraph A50

D&T recommends clarifying references to the "entity" to refer explicitly to the engaging party, as illustrated below:

A50 The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the engaging party that the use of the practitioner's selected procedures report will be restricted. The practitioner may also obtain the ~~entity's~~ **engaging party's** written agreement that the ~~entity~~ **engaging party** and any specified parties will not distribute the practitioner's selected procedures report to parties other than the specified parties.

Paragraph A60

D&T believes additional application guidance is needed to clarify or define the term “measurement or evaluation principles” referred to in paragraph A60. D&T recommends providing further clarity by addressing the measurement or evaluation principles in the application guidance.

Paragraph A70

D&T recommends removing paragraph A70, since the paragraph is duplicative with paragraph A71 which states that “it may be appropriate to involve a practitioner’s expert in the design and the performance of one or more procedures.” The subsequent paragraphs would have to be renumbered.

~~A70 The practitioner may engage an external specialist to assist in designing the selected procedures to be performed.~~

~~A71~~ **A70** As a result of the practitioner’s education and experience, the practitioner will be knowledgeable about business matters in general, but the practitioner is not expected to have the expertise of a person trained for or qualified to engage in the practice of another profession or occupation. In certain circumstances, 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. ...

Section Title Preceding Paragraph 41

D&T recommends revising the section title that precedes paragraph 41 to “Using the Work of Internal Auditors” for consistency with AT-C 215, as depicted below:

~~Using Responsibility for the Work Performed by~~ **Using the Work of Internal Auditors**

Paragraphs A74 and A75

D&T recommends moving paragraph A75 before paragraph A74, so as to make it immediately clear that this is in the context of practitioners performing procedures on internal audit’s work.

Paragraphs 42, A76, A77 and A78

As discussed in our overriding observations, we believe that the engaging party should take responsibility for the sufficiency of the selected procedures; accordingly, we do not believe it is necessary to obtain written acknowledgement from the engaging party regarding their awareness of the procedures performed. Rather, we believe that the engaging party should acknowledge their agreement of the final selected procedures performed as the selected procedures may be modified during the engagement. Accordingly, we recommend the following changes:

42 Prior to the issuance of the selected procedures report, the practitioner should obtain a written acknowledgment from the engaging party regarding their ~~awareness~~ **agreement** of the procedures performed.

~~A76 The engaging party’s acknowledgment of its awareness of the procedures performed does not constitute the engaging party accepting responsibility for the sufficiency of the procedures.~~

~~A77 The practitioner’s communication with the engaging party enables the engaging party, if not already aware, to be made aware of the specific procedures performed and affords~~

~~the engaging party an opportunity to suggest additional procedures that the engaging party may feel are appropriate in order to meet the purpose of the engagement. Paragraph 46 requires that this written acknowledgement be included as a written representation. Depending on the engagement circumstances, the practitioner may request the engaging party to amend the engagement letter or other suitable form of written agreement.~~

Appendix A, Comment 3B includes a listing of additional written representations to be requested from the engaging party.

Further, D&T recommends including a reference to client confidentiality considerations in paragraph A78, as illustrated below (paragraph .115 of AT-C section 205, *Examination Engagements* (AT-C 205), was used as the basis for the proposed language):

A78 In addition to the engaging party, the practitioner may also consider it appropriate to communicate with other parties regarding the procedures performed. The practitioner's professional duty to maintain the confidentiality of client information may preclude the practitioner from communicating with other parties. Because potential conflicts with the practitioner's ethical and legal obligations for confidentiality may be complex, the practitioner may consult with legal counsel before communicating with other parties outside the entity.

Paragraphs 53 and A92

D&T believes there are matters that should be addressed relating to the content of the practitioner's selected procedures report to align with our overriding observations or our responses to specific requests for comment included in Appendix A. These matters and other editorial recommendations are illustrated below:

- Replace "procedures" with "selected procedures" in paragraph 53 and the related application material in order to help distinguish a selected procedures report from an agreed-upon procedures report.
- Responsibility for the underlying subject matter (paragraph 53d)

As highlighted in our overriding observations relating to Independence, we believe that the engaging party (or another party) should take responsibility for the underlying subject matter. We also believe that it is not necessary to include a statement that the engaging party is responsible for the selecting the subject matter as long as the report includes an identification of the party that has taken responsibility for the underlying subject matter as illustrated below:

~~53d A statement that the engaging party is responsible for the selection of the subject matter and, if applicable, a~~ **A statement that identifies the responsible party** ~~identification of the party, for purposes of the engagement, that has taken responsibility for~~ **and its responsibility for the underlying** subject matter

- Responsibility for the sufficiency of the selected procedures (paragraph 53e)

As highlighted in our overriding observations relating to taking responsibility for the sufficiency of the selected procedures, we believe that the engaging party should take responsibility for the sufficiency of the selected procedures and for determining that the selected procedures meet the intended purpose of the engagement.

53e A statement that (i) the engaging party takes responsibility for the sufficiency of the selected procedures and for determining that the selected

procedures meet the intended purpose of the engagement and (ii) ~~An identification of the party who takes responsibility for the sufficiency of the procedures or a statement that neither the practitioner nor the engaging party takes such responsibility~~ makes no representation regarding the sufficiency of the procedures either for the purpose for which the report was requested or any other purpose

We also do not believe that it is appropriate for the practitioner to take responsibility for the sufficiency of the procedures, therefore paragraph A91 of the proposed SSAE should be deleted.

- Limitations on items of interest and needs of users (paragraph 53f)

As highlighted in our response to Comment 1D in Appendix A, when the report is intended only for the use of the engaging party and includes an alert that restricts the use of the report, we do not believe it is appropriate to include the statement required by paragraph 53f 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 and, as such, users are responsible for the sufficiency of the procedures for their intended purpose. Accordingly, we believe this statement should be removed from Illustrations 5 and 6 and we propose the following changes:

53f If the engaging party is not the only intended user of the selected procedures report and the report does not include an alert that restricts the use of the report,
~~a~~ **A statement that the selected procedures performed may not address all of the 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 selected procedures for their intended purpose (Ref: par. A49–A50 and A92)**

A92 When the practitioner’s selected procedures report is not restricted to the use of the engaging party, ~~the~~ practitioner may advise potential users regarding inappropriate uses of the practitioner’s selected procedures report, **by adding a paragraph in the practitioner’s report.** For example, the practitioner may advise that the report is not intended for making investment decisions or for use by potential lenders or investors.

Refer to Appendix C for additional comments relating to the illustrative report examples and edits that take into account the matters addressed above as well as other editorial recommendations.

Other Information

Since general-use selected procedures reports are permitted in the proposed SSAE, D&T believes that the requirements relating to the practitioner’s responsibility to read other information for material inconsistency or material misstatement of fact should be enhanced where the practitioner’s report is included in a document that contains the subject matter information and other information. The following new requirement paragraph has been drafted using paragraph .57 of AT-C 205 as a basis (we recommend adding this new section before paragraph 53 in the proposed SSAE):

Other Information

If prior to or after the release of the practitioner’s selected procedures report the practitioner is willing to permit the inclusion of the practitioner’s report on selected procedures in a document that contains the subject matter information and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter information or

the report. If upon reading the other information, in the practitioner's professional judgment

- a. a material inconsistency between that other information and the subject matter information or the report exists, or
- b. a material misstatement of fact exists in the other information, the subject matter information, or the report,

the practitioner should discuss the matter with the engaging party and take further action as appropriate.

Paragraph A103

The second-to-last sentence of paragraph A103 is already captured as application guidance in paragraph A50). Therefore, D&T recommends deleting this sentence from paragraph A103, as follows:

A103 The alert that restricts the use of the practitioner's report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. ~~The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the engaging party that the intended use of the report will be restricted and may obtain the engaging party's agreement that the engaging party and specified parties will not distribute such report to parties other than those identified therein.~~ A practitioner is not responsible for controlling, and cannot control, distribution of the report after its release.

Paragraph A105

We believe that for general-use reports, when the practitioner applies selected procedures to an element, account, or item of a financial statement and has performed an audit or review of the entity's related financial statements, and the practitioner's audit or review report on such financial statements includes a departure from the standard report as it relates to the underlying subject matter of the selected procedures engagement, the practitioner's report on selected procedures should include a reference to the audit or review report and the departure from the standard report. For example, reference to the audit report would be included in the practitioner's selected procedures report if the selected procedures engagement relates to the accounts receivable balance and the financial statements include a departure from the standard report due a material misstatement in the accounts receivable balance. Accordingly, we recommend that the application material should be modified and included as a requirement.

Paragraphs 59 and A107

D&T recommends moving the discussion of the extent of consideration of subsequent events from paragraph 59 to the related application material in paragraph A107. Further, "appropriate parties" should be replaced with "engaging party" in paragraph A107. Our recommendations are illustrated below.

Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs	Application and Other Explanatory Material
<p>Consideration of Subsequent Events</p> <p>59 When relevant to the engagement, the practitioner should consider the effect on the underlying subject matter and on the practitioner’s report of events up to the date of the report, and should respond appropriately to facts that become known to the practitioner after the date that, had they been known to the practitioner at that date, may have caused the practitioner to amend the report. The extent of consideration of subsequent events depends on the potential for such events to affect the underlying subject matter and to affect the appropriateness of the practitioner’s findings. However, the practitioner has no responsibility to perform any procedures regarding the underlying subject matter after the date of the report. (Ref: par. A107)</p>	<p>Consideration of Subsequent Events (Ref: par 59)</p> <p>A107 As noted in paragraph 59, the practitioner has no responsibility to perform any procedures regarding the underlying subject matter after the date of the practitioner’s report. <u>The extent of consideration of subsequent events depends on the potential for such events to affect the underlying subject matter and to affect the appropriateness of the practitioner’s findings.</u></p> <p>However, if, after the date of the report, a fact becomes known to the practitioner that, had it been known to the practitioner at the date of the report, may have caused the practitioner to amend the report, the practitioner may need to discuss the matter with the appropriate parties <u>engaging party</u> or take other action as appropriate in the circumstances.</p>

Appendix C — Illustrative Selected Procedures Reports

The proposed edits to the illustrative report examples of paragraph A111, “Exhibit—Illustrative Selected Procedures Reports,” are included below. Editorial recommendations are highlighted as follows: Additions are noted in bold underline and deletions are noted in strike-through text.

Illustration 1: Selected Procedures Report

In this example, edits are recommended to address the matters noted in Appendix B related to the report elements in paragraph 53.

Independent Accountant’s Report on Applying Selected Procedures

[Appropriate Addressee]

We were engaged by [identify the engaging party, such as XYZ Company] to apply **selected** procedures to [identify the intended purpose of the engagement including the subject matter information and criteria].

~~XYZ Company is responsible for the selection of the subject matter as [identify the subject matter]~~
[Identify the responsible party and its responsibility for the underlying subject matter.]

XYZ Company is responsible for the sufficiency of the selected procedures enumerated below and for determining that the selected procedures meet the intended purpose of the engagement. Consequently, we make no representation regarding the sufficiency of the selected procedures enumerated below either for the purpose for which the report is intended or for any other purpose. ~~Neither we nor the Company take responsibility for the sufficiency of the procedures for the purpose of [identify the purpose of the engagement].~~

The **selected** procedures performed may not address all of the 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 **selected** procedures for their intended purpose.

This selected procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we apply **selected** procedures to the **underlying** subject matter of the engagement and issue a written report that describes the **selected** procedures applied and our findings. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the [identify the subject matter information]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional **selected** procedures, other matters might have come to our attention that would have been reported.

The **selected** procedures and related findings are as follows. [For purposes of reporting the findings, exceptions of [\$1,000 or less resulting solely from the rounding of amounts disclosed] are not considered findings.]

[Include paragraphs to enumerate **selected** procedures and findings.]

[Additional paragraph(s) may be added to describe other matters such as description of the nature of assistance provided by a practitioner’s external specialist, or reservations or restrictions concerning **selected** procedures or findings.] ...

Illustration 2: Selected Procedures Report Related to a Lottery Drawing

In this example, edits are recommended to address the matters noted in Appendix B related to the report elements in paragraph 53, as well as to remove duplicative language and to replace terminology that is not sufficiently precise or may have an uncertain meaning.

Independent Accountant's Report on Applying Selected Procedures

[Appropriate Addressee]

We were engaged by XYZ Company to perform selected procedures to assist XYZ Company and lottery players in assessing the extent to which the lottery drawing on September 30, 20X1, is conducted in accordance with the State's lottery guidelines. ~~The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users.~~

XYZ Company is responsible for ~~the selection of the subject matter as the lottery drawing on~~ the conduct of the lottery drawing.

XYZ Company is responsible for the sufficiency of the selected procedures enumerated below and for determining that the selected procedures meet the intended purpose of the engagement. Consequently, we make no representation regarding the sufficiency of the selected procedures enumerated below either for the purpose for which the report is intended or for any other purpose. ~~Neither we nor the Company take responsibility for the sufficiency of the procedures either for the purpose of assisting lottery players in assessing the extent to which the lottery drawing is conducted in accordance with the State's lottery guidelines or for any other purpose.~~

The selected procedures performed may not address all of the 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 selected procedures for their intended purpose.

This selected procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we apply selected procedures to the underlying subject matter of the engagement and issue a written report that describes the selected procedures applied and our findings. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the conduct of the lottery drawing on September 30, 20X1. Accordingly, we do not express such an opinion or conclusion. Had we performed additional selected procedures, other matters might have come to our attention that would have been reported.

The selected procedures and related findings are as follows.

Phase I: Entry File Verification

On [date], we observed the following:

- Security was called prior to the initiation of Draw Manager's lottery drawing to ~~verify~~ observe that the video was operational and to observe the Draw Manager turning on the audio and visual buttons to record.
- ...

No exceptions were found as a result of this selected procedure.

Phase II: Lottery Drawing Activity Preparation

We observed the following:

- ...

No exceptions were found as a result of this selected procedure.

Phase III: Conduct Draw

No exceptions were found as a result of this selected procedure.

[Additional paragraphs may be added to describe other matters such as description of the nature of assistance provided by a practitioner's external specialist, or reservations or restrictions concerning selected procedures or findings.] ...

Illustration 3: Selected Procedures Report Related to Sustainability

As drafted, we believe that this illustrative example relating to compliance is not appropriate as a selected procedures engagement and should not be included for the following reasons:

- The purpose of the selected procedures engagement indicates that the engagement is compliance related where the “Annual Verification Process for Carbon Offsets” is the specified requirements as contemplated by AT-C 315.
- We believe that for a selected procedures engagement relating to compliance, the requirements relating to preconditions in paragraph .23 of AT-C 315 should be relevant. These preconditions require that (1) management accepts responsibility for the entity’s compliance with specified requirements and the entity’s internal control over compliance, and (2) management evaluates the entity’s compliance with specified requirements. (See our comment relating to paragraph 26 in Appendix B above for additional discussion regarding the preconditions.)
- We believe that management of the Company should be in a position to take responsibility for the procedures and for determining that the procedures are sufficient in the context of a selected procedures engagement because management should have already accepted responsibility for the Company’s compliance with specified requirements, as well as having performed an evaluation as it relates to the specified requirements.
- We believe the report should be restricted since the criteria is likely available only to the parties specified in the report.

However, in the event the illustrative report is retained, D&T has identified edits to address the following matters:

- Those noted in Appendix B related to the report elements in paragraph 53.
- Modified the reference to users of the report to be specific.
- Added missing language required by paragraph 53h(i).
- Modified the statement required by paragraph 53h(ii) to conform to the language stated in the requirement.
- Added an alert that restricts the use of the report.
- Procedure 1d is not sufficiently precise. We recommend identifying the attributes that are being inspected in the roll-forward schedule.
- Procedure 2b is not sufficiently precise. We recommend identifying the information from the Supply Schedule that is being agreed to other information.
- Removed duplicative language and replaced terminology that is not sufficiently precise or may have an uncertain meaning.

Independent Accountant’s Report on Applying Selected Procedures

[Appropriate Addressee]

We were engaged by ABC Company to perform **selected** procedures to assist ~~users~~ **carbon offset project operators** in evaluating ABC Company’s compliance with its Annual Verification Process for Carbon Offsets for the year ended December 31, 20X1. ~~The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users.~~

ABC Company is responsible for ~~the selection of the subject matter as the qualified carbon offsets that were acquired to cover all 20X1 sales quantities as part of ABC Company’s compliance with its~~

~~Annual Verification Process for Carbon Offsets for the year ended December 31, 20X1, its compliance with its Annual Verification Process for Carbon Offsets.~~

ABC Company is responsible for the sufficiency of the selected procedures enumerated below and for determining that the selected procedures meet the intended purpose of the engagement. Consequently, we make no representation regarding the sufficiency of the selected procedures enumerated below either for the purpose for which the report is intended or for any other purpose. ~~Neither we nor the Company take responsibility for the sufficiency of the procedures either for the purpose of assisting the Board of Directors and management in evaluating ABC Company's compliance with its Annual Verification Process for Carbon Offsets for the year ended December 31, 20X1, or for any other purpose.~~

The **selected** procedures performed may not address all of the 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 **selected** procedures for their intended purpose.

This selected procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. **Those standards require that we apply selected procedures to the underlying subject matter of the engagement and issue a written report that describes the selected procedures applied and our findings.** We were not engaged to and did not conduct an examination or review ~~of ABC Company's compliance with its Annual Verification Process for Carbon Offsets for the year ended December 31, 20X1,~~ the objective of which would be the expression of an opinion or conclusion, respectively, on ~~such compliance~~ **ABC Company's compliance with its Annual Verification Process for Carbon Offsets for the year ended December 31, 20X1.** Accordingly, we do not express such an opinion or conclusion. Had we performed additional **selected** procedures, other matters might have come to our attention that would have been reported to you.

The **selected** procedures and associated findings are as follows:

Supply Side Activity

General **Selected** Procedures

1. We obtained the "Supply Schedule" from ABC Company listing the Green-e Energy certified Renewable Energy Certificates (Green-e), Chicago Climate Exchange (CCX), Climate Action Reserve (CAR), and Voluntary Carbon Standard (VCS) certified supply and performed the following:
 - a. ...
 - b. ...
 - c. ~~Observed~~ **Inspected** the database of CCX, CAR, VCS, and MRETS ~~indicating the~~ **for indication that the** supply was retired
 - d. Obtained ~~and viewed~~ the carbon offset inventory supply roll-forward schedule **and inspected the schedule for [identify the attributes that are being inspected]**

Findings—No exceptions were noted.

Specific **Selected** Procedures

2. For all of the suppliers listed on the "Supply Schedule," we performed the following:
 - a. ...

- b. Agreed [identify the information from the Supply Schedule that is being agreed] to the project certification by Green-e, CCX, CAR, or VCS
- c. ...
- d. Recalculated the tons of carbon dioxide (CO₂) for RECs purchased according to conversion methodology included in the Supply Schedule
- e. ...

Findings—No exceptions were noted.

Sales Side Activities

General Selected Procedures

- 3. We obtained the “Sales by Product Type” schedules from ABC Company and performed the following:
 - a. Compared the current year listing of product types to the prior year listing of product types to determine that the “Sales by Product Type” current year schedule includes ~~schedules have all~~ the product types listed on the prior year schedule
 - b. Agreed total CO₂ sales to the Company’s internal CO₂ sales listing
 - c. ~~Noted that~~ Inspected the sales transaction dates of the CO₂ sales included on the “Sales by Product Type” schedules to determine that the sales transactions dates of the CO₂ sales occurred during FY 20X1 ~~by viewing the sales transaction dates~~
 - d. ...
 - e. ~~Reconciled~~ Agreed retirements per CCX, CAR, or VCS data files to sales per worksheets, as applicable

Findings—No exceptions were noted.

Specific Selected Procedures

- 4. We selected a sample using the “Sales by Product Type” schedules from the Company by using a 90% confidence, a tolerable deviation of 10%, and an expected deviation rate of less than 3%. For the sample selections, we performed the following:
 - a. ...
 - b. ...
 - c. ~~Viewed~~ Inspected all Excel sales data files provided; ~~viewed for date sequence,~~ for gaps in transaction number sequencing and inquired of management as to any exceptions

Findings—No exceptions were noted.

Reservations Concerning Selected Procedures

Our selected procedures performed did not address the following:

- 1. ...

[Additional paragraphs may be added to describe other matters such as description of the nature of assistance provided by a practitioner’s external specialist, or reservations or restrictions concerning selected procedures or findings.]

This report is intended solely for the information and use of the Board of Directors and management of ABC Company and the carbon offset project operators and is not intended to be and should not be used by anyone other than the specified parties.

Illustration 4: Selected Procedures Report Related to a Union Election (Including an Alert That Restricts the Use of the Report)

D&T has identified edits to address the following matters:

- Those noted in Appendix B related to the report elements in paragraph 53.
- Modified the intended purpose of the engagement to conform to paragraph A90 of the proposed SSAE, which states that "it would not be appropriate to state that the intended purpose of the engagement was to determine whether the subject matter was performed or is stated in accordance with the specified criteria".
- Modified the description of the subject matter information in the first paragraph of the report to conform to the description of the subject matter information throughout the illustrative report.
- Added missing language required by paragraph 53h(i).
- Modified the statement required by paragraph 53h(ii) of the proposed SSAE to conform to the language stated in the requirement.
- Removed duplicative language and replaced terminology that is not sufficiently precise or may have an uncertain meaning.

Independent Accountant's Report on Applying Selected Procedures

[Appropriate Addressee]

We were engaged by Local X Union to perform selected procedures to assist management of Local X Union and the current and prospective members of Local X Union in ~~determining~~ assessing whether ~~proper election procedures~~ Local X Union conducted the elections in accordance with the election procedures (the "Guidelines") ~~were followed. The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users.~~

Local X Union is responsible for ~~the selection of the subject matter as Local X Union's conduct of the elections~~ the conduct of the elections.

Local X Union is responsible for the sufficiency of the selected procedures enumerated below and for determining that the selected procedures meet the intended purpose of the engagement. Consequently, we make no representation regarding the sufficiency of the selected procedures enumerated below either for the purpose for which the report is intended or for any other purpose. ~~Neither we nor the Company take responsibility for the sufficiency of the procedures for the purpose of assisting members of Local X Union in determining whether proper election procedures were followed or for any other purpose.~~

The selected procedures performed may not address all of the 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 selected procedures for their intended purpose.

This selected procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we apply selected procedures to the underlying subject matter of the engagement and issue a written report that describes the selected procedures applied and our findings. We were not engaged to and did not conduct an examination or review ~~on Local X Union's conduct of the elections~~, the objective of which would be the expression of an opinion or

conclusion, respectively, on Local X Union's conduct of the elections. Accordingly, we do not express such an opinion or conclusion. Had we performed additional **selected** procedures, other matters might have come to our attention that would have been reported to you.

The **selected** procedures and associated findings related to each referenced section of the Guidelines are as follows:

Observers

On [date], we observed the following:

1. ...
2. Local X Union ~~verified~~ **management compared the name of the** each observer present **to the** ~~was a~~ **union member in good standing** **list**
3. ...
4. ...

No exceptions were found as a result of this **selected** procedure.

Challenged Ballots

On [date], we observed the following:

1. ...
2. For each ballot challenged:
 - a. ...
 - b. ...
 - c. ...
 - d. The Election Official ~~insured~~ **inspected** the challenged ballot envelope **for inclusion of** ~~contained~~ the secret ballot envelope.
 - e. ...

No exceptions were found as a result of this **selected** procedure.

Counting the Ballots

On [date], we observed the following:

1. ...

No exceptions were found as a result of this **selected** procedure.

*[Additional paragraphs may be added to describe other matters such as description of the nature of assistance provided by a practitioner's external specialist, or reservations or restrictions concerning **selected** procedures or findings.]*

This report is intended solely for the information and use of **the management of Local X Union and the** current and prospective members of Local X Union and is not intended to be and should not be used by anyone other than these ~~se~~-specified parties....

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

As drafted, we believe that this illustrative example is not appropriate as a selected procedures engagement and should not be included for the following reasons:

- We believe that Company is responsible for maintaining effective internal control related to record keeping and should be in a position to make an assertion.
- We believe that management of the Company should be in the position to agree to the sufficiency of the procedures as they should understand the internal controls related to record keeping.
- The report includes an alert that restricts the use of the report.
- When the report is intended only for the use of management of the engaging party, we do not believe it is appropriate to include the statement required by paragraph 53f 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 and, as such, users are responsible for the sufficiency of the procedures for their intended purpose.”

However, in the event the illustrative report is retained, D&T has identified edits to address the following matters:

- Those noted in Appendix B related to the report elements in paragraph 53.
- Modified the intended purpose of the engagement to conform to paragraph A90 of the proposed SSAE which states that “it would not be appropriate to state that the intended purpose of the engagement was to determine whether the subject matter was performed or is stated in accordance with the specified criteria.”
- The report does not specify the criteria used which is a required element (paragraph 53c).
- Added missing language required by paragraph 53h(i).
- Modified the statement required by paragraph 53h(ii) of the proposed SSAE to conform to the language stated in the requirement.
- Procedure 2 focuses on performing inquiries; however, the finding states that we observed that the bank statements are not being mailed to the Association’s address but instead to the Treasurer’s home address. Accordingly, we recommend deleting the finding. Alternatively, the procedures can be expanded to include inspection of the bank statements for the mailing address.
- Removed duplicative language and replaced terminology that is not sufficiently precise or may have an uncertain meaning.

Independent Accountant’s Report on Applying Selected Procedures

[Appropriate Addressee]

We were engaged by XYZ Association to perform selected procedures to assist management of XYZ Association in ~~determining~~ assessing whether the internal control relating to record keeping as of December 31, 20X1 is effective based on [identify the criteria]. ~~The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users.~~

XYZ Association is responsible for ~~the selection of the subject matter as XYZ Association’s internal control with respect to record keeping~~ internal controls relating to record keeping.

XYZ Association is responsible for the sufficiency of the selected procedures enumerated below and for determining that the selected procedures meet the intended purpose of the engagement. Consequently, we make no representation regarding the sufficiency of the selected procedures enumerated below either for the purpose for which the report is intended or for any other purpose.

~~Neither we nor the Association take responsibility for the sufficiency of the procedures for either the purpose of assisting management of XYZ Association in determining whether record keeping is effective or for any other purpose.~~

~~The procedures performed may not address all of the 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 selected procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we apply selected procedures to the underlying subject matter of the engagement and issue a written report that describes the selected procedures applied and our findings. We were not engaged to and did not conduct an examination or review of XYZ Association's record keeping, the objective of which would be the expression of an opinion or conclusion, respectively, on the internal control relating to record keeping as of December 31, 20X1. Accordingly, we do not express such an opinion or conclusion. Had we performed additional selected procedures, other matters might have come to our attention that would have been reported to you.

The selected procedures and associated findings are as follows:

1. We inquired as to whether monthly financial statements are presented to the Board of Directors as required by XYZ Association's bylaws.

Findings—Management informed us that the financial statements were not presented to the Board as required. Pursuant to the Board minutes, the Treasurer provided the monthly balances in XYZ Association's checking and money market accounts to the Board at each monthly meeting.

2. ...

Findings—The Treasurer ~~confirmed~~ informed us that all requirements are being followed. ~~However, we observed that the bank statements are not being mailed to the Association's address but instead to the Treasurer's home address.~~

3. ...

4. We randomly selected three months and obtained the bank reconciliations for the operating and payroll cash accounts for those months and inspected the reconciliation ~~observed that they had been reconciled and~~ for documentation that all differences had been addressed and resolved.

Findings—We ~~randomly~~ selected the bank reconciliations for April, June, and July 20X1 for the operating and payroll cash accounts. We noted that all the bank reconciliations included documentation that ~~months selected had been reconciled and~~ all differences had been resolved.

5. We randomly selected 50 transactions (receipts and disbursements) from the schedule of disbursements obtained from management and traced the transactions into the

Association's accounting system.

Findings—No exceptions noted.

6. ...

7. ...

8. We selected a **random** sample of **27** cash disbursements and observed whether

a. ...

*[Additional paragraphs may be added to describe other matters such as description of the nature of assistance provided by a practitioner's external specialist, or reservations or restrictions concerning **selected** procedures or findings.]*

This report is intended solely for the information and use of management of XYZ Association and is not intended to be and should not be used by anyone other than ~~the~~ specified parties.

Illustration 6: Selected Procedures Report Related to a Financial Statement Element (Including an Alert That Restricts the Use of the Report)

As drafted, we believe that this illustrative example is not appropriate as a selected procedures engagement and should not be included for the following reasons:

- We believe that Company is responsible for recording its accounts payable in accordance with the Company's accounting policies and should be in a position to make an assertion.
- We believe that management of the Company should be in the position to agree to the sufficiency of the procedures as they should understand the accounting policies related to accounts payable.
- The report includes an alert that restricts the use of the report.
- When the report is intended only for the use of management of the engaging party, we do not believe it is appropriate to include the statement required by paragraph 53f 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 and, as such, users are responsible for the sufficiency of the procedures for their intended purpose."

However, in the event the illustrative report is retained, D&T has identified edits to address the following matters:

- Those noted in Appendix B related to the report elements in paragraph 53.
- Modified the intended purpose of the engagement to conform to paragraph A90 of the proposed SSAE which states that "it would not be appropriate to state that the intended purpose of the engagement was to determine whether the subject matter was performed or is stated in accordance with the specified criteria."
- Added missing language required by paragraph 53h(i).
- Modified the statement required by paragraph 53h(ii) of the proposed SSAE to conform to the language stated in the requirement.
- Removed duplicative language.
- Replaced terminology that is not sufficiently precise or may have an uncertain meaning.

Independent Accountant's Report on Applying Selected Procedures

[Appropriate Addressee]

We were engaged by ABC Company to perform **selected** procedures to assist ABC Company's Accounts Payable Department in ~~determining~~ **assessing** whether disbursements of ABC Company funds are recorded in accordance with ~~the ABC Company's~~ accounting policies **as of December 31, 20X1**. ~~The procedures performed may not address all of the items of interest to a user and may not meet the needs of all users.~~

ABC Company is responsible for ~~the selection of the subject matter as the accounts payable of ABC Company as of December 31, 20X1~~ **the accounts payable of ABC Company**.

ABC Company is responsible for the sufficiency of the selected procedures enumerated below and for determining that the selected procedures meet the intended purpose of the engagement. Consequently, we make no representation regarding the sufficiency of the selected procedures enumerated below either for the purpose for which the report is intended or for any other purpose.

~~Neither we nor the Company take responsibility for the sufficiency of the procedures for the purpose of assisting ABC Company's Accounts Payable Department in determining whether disbursements of ABC Company funds are recorded in accordance with the Company's accounting policies.~~

~~The procedures performed may not address all of the 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 selected procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. **Those standards require that we apply selected procedures to the underlying subject matter of the engagement and issue a written report that describes the selected procedures applied and our findings.** We were not engaged to and did not conduct an examination or review of ~~ABC Company's accounts payable as of December 31, 20X1~~, the objective of which would be the expression of an opinion or conclusion, respectively, on ~~the ABC Company's~~ accounts payable **as of December 31, 20X1**. Accordingly, we do not express such an opinion or conclusion. Had we performed additional **selected** procedures, other matters might have come to our attention that would have been reported to you.

The **selected** procedures and associated findings are as follows:

1. ...
2. We compared the (attached list) of major suppliers and amounts **owing owed** as of December 31, 20X1, to the related names and amounts in the trial balance.
Findings—No exceptions were noted.
3. We obtained suppliers' statements or requested suppliers to confirm balances **owing owed** as of December 31, 20X1.
Findings—No exceptions were noted.
4. We compared ~~such~~ **the amounts included in the suppliers' statements or confirmations obtained in procedure 3** to the amounts ~~referred to in~~ **from the list of major suppliers obtained in** procedure 2. For amounts that did not agree, we obtained reconciliations from ABC Company. For reconciliations obtained, we identified and listed outstanding invoices, credit notes, and outstanding checks, each of which was greater than XXX.

Findings—~~No exceptions were noted.~~ **All the amounts in the suppliers' statements and confirmations agreed to the amounts in the list of major suppliers.**

*[Additional paragraphs may be added to describe other matters such as description of the nature of assistance provided by a practitioner's external specialist, or reservations or restrictions concerning **selected** procedures or findings.]*

This report is intended solely for the information and use of ABC Company and is not intended to be and should not be used by anyone other than these specified parties.

...