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Via electronic mail - Sherry.Hazel@aicpa-cima.com
Sherry Hazel
AICPA Auditing Standards Board

Re: PROPOSED STATEMENTS ON STANDARDS FOR ATTESTATION ENGAGEMENTS–Revisions to SSAE No. 18

The members of the New Jersey Society of Certified Public Accountants (NJCPA) Accounting and Auditing Standards Interest Group (the Group) appreciate the chance to comment on the proposed attestation engagement standard referred to above. The NJCPA has a membership of over 15,000 CPAs and prospective CPAs from public practice and private industry. The Group was formed to address technical topics affecting a wide-range of reporting entities. The members have reviewed the proposed standards and worked together to prepare this comment letter to the Accounting Standards Board (the ASB). The following comments are based on the views of the Group and may not reflect the opinions of all NJCPA members.

The ASB has proposed changes to the SSAE No. 18 to revise, clarify and recodify AT-C Sections 105, 205, 210 and 215. The Group agrees with some of the proposed changes, but is not in agreement with other proposed changes as further explained in the responses to the questions noted below.

The Group appreciates the ASB’s efforts in drafting this proposal, and in particular we fully support the proposed introduction of the term “limited assurance engagement.” We are, however, concerned with the pace of change from the Board in this matter. We note that the attestation standards were codified in 2017 and believe that an update is not necessary at this time. Further, we do believe that the Board’s stated objective of convergence with international standards is in the best interest of US-based entities and accountants. We question why, if convergence is the goal, a converged standard was not issued. Instead, the goal seems to be to move US standards to be in line with their international counterparts without consideration of the long history of US stakeholders in preparing, using and reporting on attestation matters in the US. While the Group is in agreement with some of the specific proposed changes to the attestation standards as detailed in the responses below, overall we agree with a number of the dissenting opinions that there is no need to change the standards at this time. Additionally, we believe that the changes to the Agreed Upon Procedures (“AUP”) standards in AT-C section 215 amount to the addition of a new line of service. If the Board wishes to add services, that should be accomplished under a new standard, not by wholesale modification of the standards underpinning the AUP engagements. Lastly, our Group believes that the present AUP standards are functioning well and thus do not require any changes.

Request for Comment 1 (page 8)
Please provide your views on the proposed changes discussed in the preceding section. Specifically, indicate whether you believe the proposed changes to the attestation standards are understandable and whether the application guidance is helpful in applying the new proposed requirements.
RESPONSE
The Group believes that the proposed standards are understandable and the application guidance is helpful in applying the new proposed requirements. As to the specifics of the proposed changes, the Group:

- Agrees with the proposal to no longer require the practitioner to request a written assertion from the responsible party when the practitioner is reporting directly on the subject matter. Under the current standards for examination, review or agreed-upon procedures engagements, the refusal of the engaging party to provide a written assertion may require the practitioner to withdraw from the engagement. We believe that the having the responsible party provide a written assertion when such is not the purpose of the engagement does not enhance the users’ degree of confidence in the subject matter.

- Members of our Group had differing views of the proposed addition of the affirmative statement about independence and fulfillment of the practitioner’s other ethical responsibilities to the accountant’s report.

Some believe this statement adds confusion to what independence means. The practitioner declares their independence with the statement “Independent Accountants’ Report” as the heading of the report. Users want practitioners to share more information not more boilerplate statements.

Others are seeing report users requesting such language and believe this proposed change to the accountants report will provide consistency in practice and acts as a protection to the accountant issuing the report.

Request for Comment 2 (page 9)
Please provide your views on the proposed changes discussed in the preceding section. Specifically, indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements.

With respect to paragraph .A81 of proposed AT-C section 205 and paragraph .A68 of proposed AT-C section 210, do the application paragraphs provide sufficient guidance to enable a practitioner to supplement or expand the content of the practitioner’s report if the practitioner wishes to do so? If not, what additional guidance is needed?

RESPONSE
1. The proposed added requirement calls for the practitioner to request a written representation stating whether the subject matter has been measured or evaluated against the criteria. The Group agrees that the responsibility for determining whether the subject matter has been measured or evaluated against the criteria belongs to the responsible party, and that therefore requiring a written representation is appropriate.

2. The requirement for the practitioner to determine whether management has a reasonable basis for its assertion when management provides an assertion places all of the burden on the practitioner. The practitioner may be unable to determine whether the responsible party has a reasonable basis for the assertion.
3. We agree with the acknowledgement that the practitioner has the ability to add information to the practitioners’ report that goes beyond the minimum report elements required by AT-C sections 205 and 210. We note that such practice was not precluded in the current standards and do not believe this acknowledgement will lead to a significant change in practice. We believe that the guidance provided in paragraph .A81 of proposed AT-C section 205 and paragraph .A68 of proposed AT-C section 210 is sufficient.

Request for Comment 3 (page 10)
Please provide your views on the proposed changes to AT-C section 205 as discussed in the preceding section. Specifically, indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements.

RESPONSE
The proposed statement would eliminate the required report modification in the event the practitioner is unable to obtain one or more requested representations. The group agrees with permitting the practitioner to use professional judgement in determining whether sufficient appropriate evidence has been obtained to preclude a scope limitation leading to a modified opinion.

Request for Comment 4 (page 11)
Please provide your views on the proposed changes to AT-C section 210 as discussed in the preceding section. Specifically, please indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements.

Are the illustrative reports clear and understandable with respect to the differences between a limited assurance engagement and an examination engagement?

What are the potential benefits or implications of requiring the practitioner to include a description of the procedures performed in a limited assurance engagement?

Also, please provide your views regarding whether an adverse conclusion is appropriate in a limited assurance engagement.

RESPONSE
The Group agrees with the proposed change of the term from review engagement to limited assurance engagement to differentiate engagements performed under AR-C section 90 and AU-C section 930 from those performed under the attestation standards. This distinction is consistent with the use of examination engagement versus audit engagement. However, in paragraph .A9 of section 105, we believe the first sentence “A limited assurance engagement performed in accordance with the attestation standards may be referred to as a “review” should be removed as it adds confusion to the concept of differentiating the engagement types.

The Group also agrees with the proposal to clarify the types of procedures a practitioner may perform in a limited assurance engagement. However, we believe that the types of procedures required should be included in the Standard, not just in the application guidance. The application guidance in paragraph .A8 of section 105 clearly distinguishes that the procedures in a limited
review engagement are less in extent than those in an examination engagement due to the lower
evel of assurance. However, the Group notes that the application guidance in paragraph .A27 of
section 210 lists a number of procedures that can be performed without discussing the lower level
of assurance to be obtained in a limited assurance engagement. This may lead to confusion or
uncertainty about the nature and extent of procedures to be performed in a limited assurance
engagement.

The Group believes that the illustrative reports are clear and understandable with respect to the
differences between a limited assurance engagement and an examination engagement. However,
as noted in our response to comment 1, we do not agree with the requirement to include an
affirmative statement about the practitioners’ independence and relevant ethical requirements.

The Group agrees with the requirement for the practitioner to include a description of the
procedures performed in a limited assurance engagement. Because the practitioner may use
professional judgement in determining the nature and extent of procedures to be performed in order
to obtain limited assurance, we believe that disclosure of the procedures performed by the
practitioner will provide a basis for the user of the limited assurance engagement report to evaluate
the results of the engagement. However, the Group is concerned that requiring the practitioner to
disclose the procedures performed could lead users to question the sufficiency of the practitioners’
procedures without a detailed understanding of the matter.

Request for Comment 5 (page 12)
Please provide your views on the proposed changes to AT-C section 215 as discussed in the preceding
section. Please indicate whether you believe the proposed changes are understandable and whether the
application guidance is helpful in applying the new proposed requirements. Further, please specifically
consider the following questions in your response:

1. Is the proposed expansion of the practitioner’s ability to perform procedures and report in a
   procedures-and-findings format beyond that provided by AT-C section 215 needed and in the
   public interest?
2. Do the proposed revisions to AT-C section 215 appropriately address the objective of providing
   increased flexibility to the practitioner in performing and reporting on an agreed-upon
   procedures engagement while retaining the practitioner’s ability to perform an agreed-upon
   procedures engagement as contemplated in extant AT-C section 215?
3. Do you agree with the proposed revision to AT-C section 215, whereby no party would be
   required to accept responsibility for the sufficiency of the procedures and, instead, the
   practitioner would be required to obtain the engaging party’s acknowledgment that the
   procedures performed are appropriate for the intended purpose of the engagement?

RESPONSE
1. The Group does not believe that the proposed expansion of the practitioner’s ability to perform
   procedures and report in a procedures-and-findings format beyond that provided by AT-C
   section 215 is needed and in the public interest. We believe that the AUP standards that are
currently in place are well understood and respected in the marketplace, and that the significant
changes contemplated by this Exposure Draft will only serve to create confusion and
misunderstanding of the practitioners’ reports under these standards. If the Board believes that
there is a demand for additional services, such services should be in addition to
the AUP standards, leaving the AUP standards substantially intact as written and understood by stakeholders.

2. The Group does not believe that the proposed revisions to AT-C section 215 appropriately address the objective of providing increased flexibility to the practitioner in performing and reporting on an agreed-upon procedures engagement while retaining the practitioner’s ability to perform an agreed-upon procedures engagement as contemplated in extant AT-C section 215. Instead, the proposed standards weaken the standards that currently exist under AT-C section 215 by allowing the practitioner to take responsibility for the sufficiency of the procedures, by not requiring written assertions for the responsible party, by not requiring a limitation on the use of the practitioners’ report, and by moving some of the current requirements to application guidance. We view the significant proposed changes to AT-C section 215 as essentially the roll out of a new service offering within the AUP framework. We believe that the framework as it currently exists is functioning well and should remain intact. We believe that these changes will cause confusion for stakeholders in this arena and expose the practitioner to increased liability in performing these types of engagements. If the Board intends for accountants to be able to offer additional services, those should be promulgated through new standards, not as amendments to the AUP framework.

3. The Group does not agree with the proposed revision to AT-C section 215, whereby no party would be required to accept responsibility for the sufficiency of the procedures and, instead, the practitioner would be required to obtain the engaging party’s acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement. The practitioners’ role is to perform the procedures, not to take responsibility for the sufficiency of the procedures; that role is reserved for the responsible party. By eliminating the requirement for the responsible party to acknowledge the sufficiency of the procedures, the Board is exposing the practitioner to liability if, in fact, the procedures are not sufficient.

Request for Comment 6 (page 12/13)
Should AT-C section 210 of this proposed SSAE continue to prohibit the practitioner from performing a limited assurance engagement on (a) prospective financial information; (b) internal control; or (c) compliance with requirements of specified laws, regulations, rules, contracts, or grants? Please explain the rationale for your response.

RESPONSE
The Group believes that there is a need for limited assurance engagements on prospective financial information, internal controls and compliance with requirement of specified laws, regulations, rules, contracts or grants. In many instances, the ability of the practitioner to provide examination engagements in these situations does not allow for flexibility in serving the needs of the stakeholders. Permitting the use of these engagements will require additional guidance as to the nature and extent of procedures that would be required in order to obtain limited assurance in these areas, but would provide a sufficient and lower-cost solution for clients.

Request for Comment 7 (page 13)
Are respondents supportive of the proposed effective date, specifically the prohibition on early implementation? Please provide reasons for your response.
The Group does not believe that this Exposure Draft has adequately considered and addressed the implications of some of the proposed amendments, and does not support adoption of these standards. Therefore, a response as to the proposed effective date is not relevant.

The Group has many views different from those in the Exposure Draft – however the Group does appreciate the ASB’s attention to developing the proposed SAS. As noted above, it is our opinion that the present AUP standards should remain substantially intact, and that the proposed changes to AT-C section 215 instead be promulgated as a new service offering. The Group understands the ASB has worked hard and devoted a lot of time in the effort to converge U.S. Standards with ISA. Although the Group has expressed many concerns, we have confidence in the guidance of the ASB.

The Group appreciates the ASB for requesting our professional views on the Exposure Draft. The Group would like to thank the ASB for taking the time to read this comment letter submitted on behalf of the members of the New Jersey Society of Certified Public Accountants Accounting and Auditing Standards Interest Group.

Respectfully submitted,

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