October 11, 2018

Ms. Sherry Hazel  
Audit and Attest Standards Team  
AICPA  
1211 Avenue of the Americas, 19th Floor  
New York, NY 10036-8775  
Via email

Re: July 11, 2018 Auditing Standards Board's Proposed Statement on Standards for Attestation Engagements - Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification

Dear Ms. Hazel:

Dixon Hughes Goodman LLP (DHG) welcomes the opportunity to comment on the Auditing Standards Board’s (ASB) Proposed Statement on Standards for Attestation Engagements - Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification (Attestation Proposal). Headquartered in Charlotte, North Carolina, DHG ranks among the top 20 public accounting firms in the nation, with more than 2,000 professionals and staff in 13 states, and is a member of Praxity, a global alliance of independent firms.

DHG is supportive of the ASB’s efforts in advancing the attestation standards to provide more flexibility to practitioners in meeting new market demands, particularly as it relates to amending AT-C Section 215, “Agreed-Upon Procedures” (AT-C 215) to allow for flexibility in the development of procedures and general use reports, while requiring the restriction of an agreed-upon procedures (AUP) report in certain circumstances. We believe there is a need for a service that allows for the performance of procedures and reporting of findings in a report that is general use and, consequently, does not specifically require the agreement of all users to the procedures. However, we do have concerns about the potential unintended consequences some of the proposed amendments could have on users’ understanding of the attestation services offerings, in particular, understanding of the services and procedures performed under an AUP engagement, and what evidence was obtained to support the procedures and findings included in these reports.

An AUP engagement has been a beneficial professional service offering for years, and any advancements to these engagements should be grounded within the foundational framework of extant AT-C 215. We acknowledge the challenges in developing any new service offering and have provided recommendations that are intended to enhance users’ understanding of the services offered and to assist practitioners and engaging parties in considering how to design and conduct AUP engagements.

Our responses are framed by our experience serving numerous private companies, middle-market public issuers, and non-issuer brokers and dealers, and include our concerns regarding the potential implications the Attestation Proposal could have for medium to larger-sized accounting firms.
Responsibility for Procedures Performed

The Attestation Proposal would allow the practitioner, the engaging party, or any other party to develop the procedures. The practitioner would be required to obtain from the engaging party, prior to the issuance of the practitioner’s report, a written acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement, but would not be required to obtain acknowledgment about the sufficiency of the procedures.

We are supportive of the revisions provided by the Attestation Proposal, in particular, the engaging party’s acknowledgement of the appropriateness of the procedures, and appreciate the ASB providing flexibility to practitioners and engaging parties in developing procedures associated with an AUP engagement. However, removing the requirement for engaging parties to acknowledge in writing their responsibility for the sufficiency of the procedures could essentially result in no party associated with the AUP engagement taking responsibility for the sufficiency of the procedures.

Without a clear understanding of who is responsible for the sufficiency of the procedures, users of the reports could infer that the practitioner has a higher level of responsibility than is required under the standards. This is compounded by the Attestation Proposal allowing the practitioner to take responsibility for the sufficiency of procedures performed, which may also suggest that the practitioner is providing a level of assurance that is not consistent with the objectives of the engagement. Therefore, we recommend the Attestation Proposal make explicitly clear that the practitioner is not responsible for determining the sufficiency of the procedures performed, even when designing the procedures.

We believe this could be accomplished by requiring that all AUP reports, where the practitioner has not taken responsibility for the sufficiency of the procedures performed, include the phrase “We make no representation regarding the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose” which is currently included in paragraph 35 of extant AT-C 215. While we acknowledge that similar language is included in the Attestation Proposal,\(^1\) it is included in application guidance and is conditioned on the engaging party or other parties taking responsibility for the sufficiency of the procedures; we believe that requiring the inclusion of this language in AUP reports would enhance users’ understanding of the practitioner’s responsibilities.

We are also concerned that absent additional clarity regarding the responsibilities of the practitioners and users, users of these reports may not truly understand the nature and limitations of the reports. Therefore, we strongly encourage the ASB to require the following statement within the report to clarify that the user is responsible for determining the appropriateness of the procedures for their particular needs, “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 appropriateness of the procedures for their intended purpose.”

Finally, we acknowledge that our recommendations could be under the umbrella of a firm’s risk management decision processes and tolerance levels; however, we strongly believe it is in the public’s best interest to enhance the users’ understanding of the AUP reports, including understanding the limitations of these reports, as well as the responsibilities of the parties related to the procedures applied within the report.

\(^1\) Paragraph .A49 of AT-C 215 of the Attestation Proposal.
Restricted Use Reports

The Attestation Proposal would no longer require the practitioner to restrict the use of all AUP reports to the specified parties that assumed responsibility for the sufficiency of the procedures. We support removing the requirement that all AUP reports be restricted, while providing scenarios where restricted access is warranted, in particular paragraphs .33(b) and (c). However, we believe the ASB should remove the requirement to restrict the usage of the report in situations where the engaging party prescribes the procedures and precludes the practitioner from performing or designing additional procedures², as it could potentially limit situations where knowledgeable engaging parties are restricted from distributing their reports to other informed users.

For instance, Client A requests a practitioner to only perform certain procedures (i.e. Client A prescribes the procedures and precludes the practitioner from performing or designing additional procedures). Under the Attestation Proposal, the practitioner is required to restrict the report. However, assuming similar subject matter and general objectives, except for the fact that Client B requests the practitioner’s assistance in designing the procedures, the AUP report is not required to be restricted. As a result, the Attestation Proposal would permit a general use report for Client B and require a restricted use report for Client A, with the only difference being that Client A was able to design the procedures without assistance from the practitioner.

We believe it was not the ASB’s intention to limit knowledgeable engaging parties’ ability to distribute these reports, regardless of whether or not the practitioner assists in the development of the procedures. Alternatively, we believe the ASB should allow for flexibility in providing general use reports, while providing guidance where restrictions may be warranted in certain scenarios. We believe this is consistent with other standards developed by the AICPA.³

Furthermore, there may be situations where the terms of an AUP engagement require distribution of the report to specific parties. In these situations, we believe it would be in the public’s best interest to clarify that such reports should be restricted to those specified parties. We believe paragraph .A63 of AT-C 215 of the Attestation Proposal provides a basis for the practitioner to restrict the report under these circumstances, and strongly recommend the ASB move this paragraph from application guidance to the requirements in paragraph 33.

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In closing, DHG is supportive of the Attestation Proposal and have provided certain recommendations that are geared towards enhancing users’ understanding of the AUP reports, particularly as it relates to the responsibility for the sufficiency of the procedures performed and when use of the reports are required to be restricted. Please direct any questions to a member of DHG’s Professional Standards Group.

Sincerely,

Dixon Hughes Goodman LLP

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² Paragraph 33(a), AT-C 215 of the Attestation Proposal.
³ Including but not limited to paragraph 6 of AU-C Section 905: Alert That Restricts the Use of the Auditor’s Written Communication and paragraph 64 of AT-C Section 205: Examination Engagements.