October 11, 2018

Sherry Hazel  
AICPA Auditing Standards Board  
Via email: Sherry.Hazel@aicpa-cima.com

Re: Proposed Statements on Standards for Attestation Engagements – Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification

Ms. Hazel and Board Members:

The Accounting & Auditing Committee of The Ohio Society of CPAs is pleased to provide comment on the above-referenced Proposed Statement on Standards for Attestation Engagements.

The committee is a voluntary group of member CPAs from public practice and industry. Our comments represent the collective views of the committee members and not the individual views of the members or the organizations with which they are affiliated. The organization of our committee is outlined in Appendix A to this letter.

Key points:
Overall, the committee supports modernizing AT-C section 215 to align with current acceptable practices, including greater flexibility for general-use reports and for the practitioner to be involved in designing procedures. However, given current marketplace understanding and acceptance of agreed-upon procedures report purposes and limitations, the committee is concerned regarding unintended consequences of the proposed language and that current protections for the practitioner not be eliminated.

Responses to specific questions in the exposure draft follow:

Proposed Changes That Affect All Attestation Engagements

1. 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.

   The committee agrees that a written assertion from the responsible party should be required only if the practitioner is reporting on the assertion. The committee also agrees with adding a statement to the practitioner’s report regarding independence which is consistent with ISAE 3000 (Revised) and proposed changes to AU-C 700. The committee had concerns however, as outlined below, regarding potential impairment of independence and the inclusion of this statement when the practitioner has designed the procedures and the engaging party does not take responsibility for the sufficiency of those procedures.
Proposed Changes That Affect Examination and Review Engagements

2. 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.

The committee agrees with the requirement to request a written representation stating whether the subject matter has been measured or evaluated against the criteria.

The committee would like more application guidance regarding the proposed language that requires the practitioner to determine whether management has a reasonable basis for its assertion when management provides an assertion. While professional judgment is exercised to make this determination, more application guidance defining reasonable basis would be helpful. This application guidance should address whether management’s basis could still be considered reasonable if findings in the procedures are noted.

Proposed Changes That Affect Only Examination Engagements

3. Please provide your views on the proposed changes to AT-C section 205 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.

The proposed changes are understandable and the application guidance is helpful in applying these requirements.

Proposed Changes That Affect Only Review Engagements

4. 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.

The committee had significant discussion about the potential for market confusion over replacing the term ‘review’ with ‘limited assurance’, due to the term ‘assurance’ being associated with an audit. The committee felt more consideration may be needed to align the terminology with current understanding in the marketplace of the term assurance.

The proposed application guidance (AT-C 210.A8) permits the practitioner to recommend, develop or assist in developing the criteria for the engagement. This guidance may create an independence concern if the practitioner is both developing the criteria and testing the criteria through procedures selected by the practitioner, even when the engaging party agrees to the criteria.

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

The committee discussed concerns about including a description of the procedures performed in a limited assurance engagement, which diverges from the fact practitioners do not describe audit or examination procedures within those respective types of reports. Further, allowing procedures other than inquiry and analytics could further confuse the difference between a limited assurance, which is premised on those procedures, and an audit engagement for both the practitioner and the market.

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

The committee believed allowing an adverse conclusion is appropriate.

Proposed Changes That Affect Only Agreed-Upon Procedures Engagements

5. 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:

   i. 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?

      As the agreed-upon procedures engagements are currently well understood in the marketplace as to their purpose and limitations, the proposed changes may lead to misunderstandings in the marketplace. Consumers/users of the reports may not understand the changes and may not realize the impact of the changes. Additional language is recommended for the revised report to make this clearer to the user.

   ii. 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?

      The proposed revisions provide increased flexibility while retaining the ability to perform agreed-upon procedures engagements under existing standards, with the exception of the comments expressed in (5)(i) and (5)(iii). Most notably, the committee felt the engaging party should take responsibility for the sufficiency of procedures.
iii. 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?

No. This change increases the risk to the practitioner, and the committee felt management of the engaging party should accept responsibility for the sufficiency of the procedures in order to preserve the independence of the practitioner. The committee understands and supports the intent to align the proposed standard with the assistance a practitioner may provide in current practice. The committee believes however, that the engaging party has the ability and knowledge to take responsibility for the sufficiency of the procedures even if the practitioner helped develop the procedures. The committee discussed whether this was similar to an audit, in that a client does not take responsibility for the procedures in an audit, however discarded this argument since the client does take responsibility for the financial statements in a representation letter. The committee understands procedures may change over the course of an engagement, however felt that the acceptance of these modifications through the engaging party’s approval of a draft report was appropriate and did not create an administrative burden of obtaining a revised engagement letter each time a procedure changed.

The committee felt at a minimum, the report should include an explicit statement that the practitioner is not taking responsibility for the sufficiency of the procedures. While this could be construed as negative language, the committee felt the inclusion of this language was more beneficial and outweighed the business risk associated with potential misunderstandings in the marketplace as to the procedures performed. This is underscored by the permissibility of the practitioner to apply additional procedures, which may create an assumption in the marketplace that the procedures performed were sufficient, when that is a very subjective determination depending upon the report user.

The committee feels the language in the report example for general use, which states that the report may not be suitable for any other purpose than that acknowledged by the engaging party should be strengthened. The wording should explicitly state the need for the user of the report to make their own determination of the sufficiency of the report for their intended use.

Prohibition on the Performance of a Limited Assurance Engagement on Certain Subject Matter

6. 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 rational for your response.

Yes, these subject matters require more detailed procedures than primarily inquiry and analytics.
**Effective Date**

7. Are respondents supportive of the proposed effective date, specifically the prohibition on early implementation? Please provide reasons for your response.

   The committee is supportive of the prohibition on early implementation to prevent differing reports in the marketplace concurrently. The committee felt that an effective date of one year after the proposal is finalized would be needed to allow sufficient time for internal process updates and to educate clients and the public about the changes.

   The committee supports the Auditing Standards Board’s efforts to harmonize the attestation standards with current practice and to converge with ISAE 3000. We appreciate the opportunity to respond to the Proposed Statement on Standards for Attestation Engagements and should you have any questions regarding our response, please contact us at the email addresses below.

Best Regards,

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