October 18, 2018

Ms. Sherry Hazel
Sherry.Hazel@aicpa-cima.com
AICPA Auditing Standards Board

Re: 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:

Crowe LLP appreciates the opportunity to comment on the Exposure Draft of the Proposed Statement on Standards for Attestation Engagements, Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification ("Proposal" or "Proposed Standard") prepared by the AICPA Auditing Standards Board ("ASB").

We support the ASB’s continued efforts to provide additional flexibility when performing attestation engagements, to harmonize guidance with current practice, and to converge the standards with the requirements of International Standard on Assurance Engagements (ISAE) 3000. We are pleased to provide our observations regarding the Proposed Standard.

Proposed Changes That Affect Only Agreed-Upon Procedures Engagements

We believe that the Proposed Standard provides increased flexibility in the performance of Agreed-Upon Procedures (AUP) engagements and use of the resulting reports. We note, however, that the current AUP standard is widely used and well understood in the marketplace as to its purpose and limitations and the changes as a result of the Proposed Standard may lead to misunderstandings in the marketplace. Users or potential users of the reports may not fully understand the changes and may not realize the impact and limitations of the changes.

We believe there may be unintended consequences of the proposed changes, which will specifically lead to increased business risk for practitioners. The proposed changes related to removing the provision that the specified parties are responsible for the sufficiency of the procedures for their purposes, removing the requirement to agree upon the procedures before the procedures are performed, and allowing practitioners to apply additional procedures will increase the risk of misunderstandings between parties to the engagement and in the marketplace. Under the Proposed Standard, the client’s determination of the appropriateness of the procedures occurs after the procedures have been performed and before the report is issued. The lack of clarity in the beginning of the process due to procedures not being clearly delineated at the beginning of the engagement, and the client no longer taking responsibility for the sufficiency of the procedures, increases the risk of misunderstanding between the parties substantially. With less agreement at the beginning of the engagement, the procedures performed may not be as expected or desired by the engaging party, thereby creating issues when reporting on the results of the procedures.
We support the increased flexibility of the Proposed Standard to reflect certain practices that are already occurring, however more flexibility often leads to more risk. We are also concerned that there may be potential misunderstandings in the marketplace over the difference between acknowledging the “appropriateness” of procedures versus taking responsibility for the sufficiency of the procedures, which has been well understood under the current standard. We believe the Proposed Standard should retain the requirement that the engaging party take responsibility for the procedures.

Proposed Changes that Affect Only Review Engagements

While we understand the efforts to revise the standard to more closely align with the international standards, we do not believe the term “review” should be replaced with the terminology of “limited assurance.” If a review and a limited assurance engagement are essentially the same, we would recommend retaining the term “review.” The term “review” is well known and understood in the assurance practice, therefore there does not appear to be a compelling reason to change the terminology.

The proposed application guidance (AT-C 210.A8) provides that the engaging party may request that the practitioner recommend, develop or assist in developing the criteria for the engagement. We believe that this guidance may create an independence concern if a practitioner is both developing the criteria and testing the criteria through procedures selected by the practitioner.

Proposed Effective Date

We believe the proposed effective date of on or after May 1, 2020 with early implementation not permitted is appropriate to prevent reports issued under the old and revised standards in the marketplace at the same time. Additionally, the date should provide sufficient time for education to be provided to the marketplace on changes and for practitioners to evaluate and address their processes.

Crowe LLP supports the ASB’s efforts to revise and clarify the attestation standards to provide more flexibility, to harmonize with current practice and to converge with ISAE 3000. We would be pleased to respond to any questions regarding our observations noted within this letter. If there are any other questions regarding this subject, please contact Michael G. Yates at (574) 236-7644.

Sincerely,

Crowe LLP