



October 11, 2018

Ms. Sherry Hazel
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

Dear Ms. Hazel:

On behalf of the National State Auditors Association, we appreciate the opportunity to respond to the AICPA Auditing Standards Board's exposure draft of a proposed statement on standards for attestation engagements entitled *Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards Clarification and Recodification*. While we generally agree with most of the provisions in the exposure draft, we continue to support the establishment of a separate AT-C section for selected procedures engagements, rather than expanding AT-C 215, as noted in our November 27, 2017, response to the AICPA's ED, *Selected Procedures*.

Our responses to the specific requests for comment posed in the exposure draft, and some additional comments, follow.

Request for Comment 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.

We consider the proposed changes 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 as necessary and appropriate. We see no benefit in obtaining a written assertion from the responsible party when the practitioner reports directly on the subject matter.

We also agree with the provision to include a statement of independence in the practitioner's report specific to the engagement. We consider this alignment with the international standards and proposed auditing standards as beneficial since it maintains consistency between the various standards.

Request for Comment 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.

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?

We agree with the proposed changes that (1) add a requirement for the practitioner to request a written representation stating whether the subject matter has been measured or evaluated against the criteria, (2) require the practitioner to determine whether management has a reasonable basis for its assertion when management provides an assertion, and (3) allow the practitioner to expand the report beyond the minimum report elements required by AT-C sections 205 and 210. The proposed

changes are understandable, and the application guidance is helpful in applying the new proposed requirements.

Regarding paragraphs AT-C 205.A81 and 210.A68, we agree with allowing the practitioner the ability to add information to the practitioner's report beyond the minimum report elements required in the standards. However, we believe the proposed standard would benefit from more detailed examples in the report exhibits of how an auditor may present the additional information.

Request for Comment 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.

We agree with eliminating the requirement for report modification when the practitioner is unable to obtain one or more requested written representations. The proposed changes are understandable, and the application guidance is helpful in applying the new proposed requirements.

Request for Comment 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.

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.

We agree with the proposed changes to AT-C 210, and believe the changes are understandable and the application guidance is helpful in applying the proposed new requirement. However, we are concerned with the language in AT-C 105.A9 that allows a limited assurance engagement to be referred to as a *review*. We believe the Board should either embrace the new term or revert to the existing term. Referencing pre-existing terminology that is no longer applicable as an acceptable replacement will create confusion. If the AICPA chooses to continue to allow this, then it should clarify in what circumstances a practitioner may use the term *review*. For example, can *review* be used in the report instead of *limited assurance engagement*?

We believe the illustrative reports are clear and understandable with respect to the differences between a limited assurance engagement and an examination engagement.

A potential benefit of including a description of the procedures performed in a limited assurance engagement is that users will obtain a clearer understanding of the work that was performed. However, a potential implication may be that the users may misinterpret the procedures and assume the procedures covered more and thus provide assurance beyond the actual procedures the practitioner performed.

We agree with the revisions that allow the practitioner to express an adverse conclusion, rather than withdrawing from the engagement, when material and pervasive misstatements are identified in the subject matter. Withdrawal from the engagement will not serve the users of the subject matter since there would be no report identifying the misstatements in the subject matter. Getting positive assurance regarding the nature of the misstatements is better than getting no report.

Request for Comment 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.*

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?*

We believe the expansion is needed and in the public interest. State audit organizations often encounter state laws focused on answering both general and specific questions. The purpose and objective may be known or clear, but the law does not specify which standards to follow or procedures to perform. Further, these laws do not typically require the subject entity establish or agree to the procedures to be performed. The information requests these laws pose can be related to financial transactions, financial balances, compliance with laws or contracts whether financial-related or not, and internal control whether financial related or not. Using an approach prescribed in this proposed expansion would allow more flexibility to provide exactly what the legislators are requesting.

However, we continue to believe the proposed expansion should be a stand-alone AT-C section. SSAE No. 18's separation of the requirements for examinations, reviews, and agreed-upon procedures engagements was a significant improvement of clarifying the attestation standards, making it easier for a practitioner to know what requirements apply to the specific engagement the practitioner is performing. The proposed changes eliminate that clarity for agreed-upon procedures engagements. Further, it is misleading to call the proposed expansion agreed-upon procedures engagements when no party agreed to the sufficiency of the procedures the practitioner performed.

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?*

The proposed revisions do provide more flexibility. However, in its current form it is not clear if it retains important considerations and requirements relating to the practitioner's ability to perform an agreed upon procedures engagement as contemplated in extant AT-C section 215. The ability to develop the procedures to be performed and not require the engaging party to assume responsibility for the sufficiency of the procedures, fundamentally changes the nature of an agreed-upon procedures engagement, and therefore we no longer believe it is appropriate to use the term 'Agreed-Upon Procedures' engagement, since the two parties are not agreeing to, and taking responsibility for, the sufficiency of the procedures.

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?*

As noted above, we do not believe the proposed expansion should be incorporated into AT-C section 215. Accordingly, engagements under AT-C section 215 should continue to require the engaging party to agree to the procedures the practitioner is to perform. However, for the proposed expanded service, we agree with the proposal that no party would be required to accept responsibility for the procedures sufficiency and, instead, the practitioner would be required to obtain the engaging party's acknowledgment that the procedures performed are appropriate for the engagement's intended purpose.

Request for Comment 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 rationale for your response.*

No comment.

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

We believe the effective date should be dependent on when the Board finalizes and issues the final standard. The Board should allow practitioners enough time to review and update their procedures to ensure reports issued by the effective date are in compliance.

For the reasons provided in the exposure draft, we agree with prohibiting early implementation.

Other Comment

Paragraphs 205.61 and 210.45 – We believe the requirement to obtain a written assertion when opining on an assertion should be incorporated at the beginning of the section to facilitate the planning process for the engagement.

We appreciate the opportunity to respond to such an important document. Should you have any questions or need additional information regarding our response, please contact Sherri Rowland of NSAA at (859) 276-1147 or me at (919) 807-7500.

Sincerely,



Beth Wood
President, NSAA