



441 G St. N.W.  
Washington, DC 20548

December 1, 2017

Mr. Michael Glynn  
Senior Technical Manager  
Accounting and Review Services Committee  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036

Dear Mr. Glynn:

This letter provides GAO's comments on the American Institute of Certified Public Accountants' (AICPA) Accounting and Review Services Committee's exposure draft entitled *Proposed Statement on Standards for Attestation Engagements – Selected Procedures*. GAO promulgates generally accepted government auditing standards, which provide professional standards for auditors of government entities in the United States.

We believe that the proposed changes to attestation standards to allow the performance of selected procedures engagements may not be in the public's and the profession's interest. We have concerns regarding the potential issuance of a report wherein no party takes responsibility for the sufficiency of the procedures and where a user would not have a reasonable basis to determine the sufficiency of the procedures performed. We have provided responses to the AICPA's specific questions regarding selected procedures in the attached enclosure.

Thank you for the opportunity to comment. If you have questions about this letter or wish to discuss any of our responses, please feel free to contact me at (202) 512-3133 or [dalkinj@gao.gov](mailto:dalkinj@gao.gov).

Sincerely yours,

A handwritten signature in black ink, appearing to read "James R. Dalkin".

James R. Dalkin  
Director  
Financial Management and Assurance

Enclosure

## Enclosure

### Response to Questions

**1A. Is the proposed expansion of the practitioner's ability to perform procedures and report in a procedures and findings format beyond that currently provided by AT-C section 215 needed and in the public interest? If so, provide specific examples of when, in practice, a practitioner may perform an engagement in accordance with the proposed standard.**

We believe that the proposed expansion of the practitioner's ability to perform procedures and report in a procedures and findings format beyond that currently described in AT-C section 215 may not always be appropriate. The proposed expansion may create situations where the practitioner issues a report for which no one takes responsibility for the sufficiency of the procedures and a user would not have a reasonable basis to determine the sufficiency of the procedures. We believe that selected procedures engagements should not be used in circumstances when the intended users would not have a reasonable basis to assess the sufficiency of the procedures and use the results in the report as intended.

**1B. Please provide feedback about whether you believe the proposed standard appropriately addresses the objective of providing flexibility regarding the development of the procedures to be performed by the practitioner and the nature and extent of the responsibilities of the parties to the engagement.**

The proposed standard appropriately addresses the objective of providing flexibility in developing procedures that the practitioner will perform; however, we do not believe that the nature and extent of the responsibilities of the parties to the engagement, as proposed, will appropriately ensure that a report is not misused or misunderstood, either by the engaging party or other users, as discussed in our response to 1A above.

**1C. Do you agree with the proposal that no party would be required to take responsibility for the sufficiency of the procedures in a selected procedures engagement?**

Circumstances may exist where it is appropriate that no party takes responsibility for the procedures, but if possible, we believe that the practitioner should state in the report why no party is taking responsibility.

**1D. Related to Specific Request for Comment 1C, consider and provide feedback about whether you believe the proposed reporting requirements appropriately communicate the following:**

- a. When no party takes responsibility for the sufficiency of the procedures**
- b. When the practitioner, the engaging party, another party, or a combination of these parties take responsibility for the sufficiency of the procedures**
- c. The responsibilities (or lack thereof) of the practitioner, engaging party, and the party responsible for the subject matter**
- d. The limitations of the engagement**

The proposed language to be included in the report if no party takes responsibility for the sufficiency of the procedures does not sufficiently ensure that the report will be appropriately understood by potential users and used for its intended purpose. The communication of limitations should address not only procedures and findings but should also address when no party takes responsibility for the sufficiency of the procedures.

**2A. Do you agree with the permission of general-use selected procedures reports? If you don't agree, please explain why.**

We believe that a general-use selected procedures report should be allowed in certain circumstances; however, there are risks that the user may incorrectly or inappropriately apply or interpret the selected procedures performed. We believe that the general-use report should be extremely clear regarding the procedures performed and suggest expanding the guidance regarding the requirement to state the procedures performed in the practitioner's report by adding an additional application guidance paragraph to provide examples, similar to what is provided in paragraph A95 for limitations.

**2B. If general-use selected procedures reports are permitted, should additional language be included in the practitioner's selected procedures report such as disclosure of the party or parties that determined the procedures to be performed by the practitioner?**

For a general-use selected procedures report, additional language may be necessary such as limitations as noted in response 1D above, but we do not believe that the disclosure of the party or parties that determine the procedures to be performed by the practitioner should be required.

**3A. Do you agree that the practitioner should not be required to request or obtain a written assertion from the responsible party in a selected procedures engagement?**

We agree that a practitioner should not be required to request or obtain a written assertion from the responsible party in all selected procedures engagements. In certain circumstances, it may not be practical to require that a written assertion be requested such as when the engaging party is not the responsible party and the practitioner may not reasonably believe that the responsible party would be able to produce a written assertion. In such a circumstance, the responsible party may not have performed its own measurement or evaluation of the subject matter of the engagement against the criteria and therefore may be unable to provide an assertion.

**3B. In addition to those representations required by the proposed standard and in the absence of requiring that the responsible party provide a written assertion, are there any other written representations that the practitioner should be required to request in a selected procedures engagement? If so, please provide specific representations that the practitioner should be required to request.**

We did not identify any additional written representations that the practitioner should be required to request.

**4A. Do you agree that the proposed standard should be market driven, or are there instances in which a practitioner should be precluded from performing a selected procedures engagement? If there are instances in which the practitioner should be precluded from performing a selected procedures engagement, please provide specific instances and the reasons why.**

If a practitioner can, in his or her professional judgement, remain independent, the practitioner should not be precluded from performing a selected procedures engagement. If selected procedures engagements are allowed, we believe that the guidance for independence should

be modified to cover selected procedures engagements, similar to the guidance for agreed-upon procedures engagements. Also, see our response to 1A above.

**4B. Do you believe the proposed standard should be included in the professional literature (a) as revisions to AT-C section 215 (resulting in the agreed-upon procedures and selected procedures requirements and guidance being codified together) or (b) as a stand-alone AT-C section (for example, AT-C section 220)? Please provide reasoning for your preference.**

We believe that the proposed standard should be included as part of AT-C section 215. The integration of the selected procedures requirements and guidance should be clear and concise to identify the differences between agreed-upon procedures and selected procedures.