

Conflict Minerals Reports Questions & Answers



.1 Differences Between Examination Attestation Engagements and Performance Audits

Inquiry—What are the key differences between examination attestation engagements and performance audits under Generally Accepted Government Auditing Standards (GAGAS)?

Reply—For examination attestation engagements, GAGAS incorporates by reference the AICPA’s *Statements on Standards for Attestation Engagements (SSAE)* [GAGAS 2.09]. As such, auditors performing attestation engagements should be knowledgeable in the AICPA general attestation standard related to criteria, the AICPA attestation standards for field work and reporting, and the related Statements on SSAE, and they should be competent in applying these standards and SSAE to the attestation work [GAGAS 3.74]. Under GAGAS, attestation engagements should be performed by certified public accountants (CPAs) or persons working for a licensed CPA firm or for a governmental auditing organization [GAGAS 3.75].

For performance audits, GAGAS does not incorporate other standards by reference, but recognizes that auditors may use, or may be required to use, other professional standards in conjunction with GAGAS [GAGAS 2.21]. GAGAS does not limit performance audits to CPAs or persons working for a licensed CPA firm or for a governmental auditing organization.

The reporting standards for examination attestation engagements differ from, and are generally more prescriptive than, the reporting standards for performance audits. For examination attestation engagements, auditors should comply with the reporting requirement of AT-C section 205, *Examination Engagements* (AICPA, *Professional Standards*), and the additional reporting requirements of GAGAS 5.18 – 5.47. For performance audits, the reporting standards are prescribed in Chapter 7 of GAGAS.

.2 Similarities Between Examination Attestation Engagements and Performance Audits

Inquiry—What are the key similarities between examination attestation engagements and performance audits under Generally Accepted Government Auditing Standards (GAGAS)?

Reply—Auditors are required to obtain reasonable assurance that the evidence is sufficient and appropriate to support the auditors' findings and conclusions in both performance audits [GAGAS 6.03] and examination attestation engagements. Therefore, the level of work would be comparable between the two types of engagements.

Both types of engagements are subject to the general requirements in GAGAS Chapter 3. Among those requirements, each audit organization performing audits in accordance with GAGAS must (1) establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, and (2) have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years [GAGAS 3.82]. For both examination attestation engagements and performance audits, practitioners performing work under GAGAS need to maintain their professional competence through continuing professional education (CPE)¹ [GAGAS 3.76].

.3 Objectives of the IPSA

Inquiry—What are the audit objectives in performing an independent private-sector audit (IPSA)?

Reply—The audit objectives, as stated in Rule 13p-1 (“the Rule”) of the Securities Exchange Act of 1934, are twofold:

- (1) whether the design of the issuer’s due diligence framework^{*} as set forth in the Conflict Minerals Report (CMR), with respect to the period covered by the report, is in conformity with, in all material respects, the criteria set forth in the nationally or internationally recognized due diligence framework used by the issuer, and
- (2) whether the issuer’s description of the due diligence measures it performed as set forth in the Conflict Minerals Report, with respect to the period covered by the report, is consistent with the due diligence process that the issuer undertook.

* The terms *due diligence framework* and *due diligence measures* are both used in the Rule in describing this audit objective; however, the term *framework* more accurately reflects the intent of the objective as described in the discussion of the Rule.

The first objective addresses whether the issuer’s due diligence framework is designed in conformity with the criteria set forth in a nationally or internationally recognized due diligence framework. It does not address implementation of the due diligence measures (that is, whether the due diligence measures were placed into operation) or whether the due diligence measures are operating effectively.

The second objective addresses whether the issuer actually performed the due diligence measures as they were described; in other words, did the issuer do what it said it did. It does not address whether the process undertaken and described by the issuer is consistent with the design of the issuer’s due diligence framework or the criteria set forth in the nationally or internationally recognized due diligence framework used by the issuer.

The Rule states that “an audit objective requiring an auditor to express an opinion or conclusion as to the design and description of an issuer’s due diligence measures is not as comprehensive as an audit objective requiring an auditor to express an opinion or conclusion as to the effectiveness of due diligence measures or the accuracy of conclusions in the Conflict Minerals Report. However, we believe that the audit will still be meaningful because it will provide some assurance from an independent third party that the issuer’s due diligence framework is designed in conformity with the

¹ Every two years, at least 80 hours of CPE that directly enhances the practitioner’s professional proficiency to perform attestation engagements or audits should be completed. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 hours of the 80 should be completed in any one year of the two-year period.

relevant nationally or internationally recognized due diligence framework and that the issuer actually performed the due diligence measures as they were described.”²

.4 Relationship Between the Objectives of the IPSA

Inquiry—How do the two audit objectives relate to each other?

Reply—The two audit objectives are independent of each other. The first objective can be described as requiring the auditor to compare (A) to (B), where (A) is the design of the issuer’s due diligence framework and (B) is the criteria set forth in the nationally recognized due diligence framework used by the issuer. The second objective can be described as requiring the auditor to compare (C) to (D), where (C) is the issuer’s description of the due diligence measures it performed as described in the Conflict Minerals Report and (D) is the due diligence process that the issuer undertook. Neither (C), the issuer’s description of the due diligence measures it performed, nor (D), the due diligence process that the issuer undertook, are compared to (A), the design of the issuer’s due diligence framework, or (B), the criteria set forth in a nationally recognized due diligence framework.

.5 Criteria for IPSA as an Attestation Examination Engagement

Inquiry—AT-C section 105, *Concepts Common to All Attestation Engagements* (AICPA, *Professional Standards*), requires as a precondition for an attestation engagement, that the subject matter be appropriate (that is, capable of evaluation against criteria) and that the criteria to be applied in the preparation and evaluation of the subject matter are suitable and will be available to the intended. Does the portion of the Conflict Mineral Report that is subject to an IPSA meet these preconditions?

Reply—Yes. The subject matter of the first objective is the design of the issuer’s due diligence framework as set forth in CMR, which the Rule requires to be evaluated against a nationally or internationally recognized due diligence framework. A nationally or internationally recognized framework, such as the Organization of Economic Co-Operation and Development *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Supplement on Tin, Tantalum & Tungsten* and *Supplement on Gold* (Second Edition, OECD Publishing, 2013) (“OECD framework”), provides suitable and available criteria for the first reporting objective.

The second audit objective addresses whether the issuer’s description of the due diligence measures it performed as set forth in the Conflict Minerals Report, with respect to the period covered by the report, is consistent with the due diligence process that the issuer undertook. Thus, the criterion is whether the issuer’s description of its measures is consistent with the measures undertaken. The issuer’s description of the due diligence measures performed can be evaluated for consistency with the due diligence process the issuer undertook if competent persons using the same description would obtain materially similar evaluations.

AT-C section 105 requires that criteria be suitable and available. Evaluating the suitability of the description most efficiently occurs prior to testing of whether the description is consistent with what the entity actually did. In order for the description of the due diligence measures performed to be suitable, the entity’s description must be objective, measurable, complete and relevant.

- Objective means the criteria should be free from bias. The description of the due diligence measures performed in the CMR should be objective; subjective language such as *best practice* or *industry standard* would not provide suitable criteria for an attestation engagement.
- Measurable means the criteria should permit reasonably consistent measurements of the subject matter; in this context, the words used in the description of the due diligence measures performed in the CMR need to be precise and specific, not vague or subjective in order for the description to provide suitable criteria for an attestation engagement.

²Rule 13p-1 of the Securities Exchange Act of 1934, page 284-285.

Inappropriate description of procedures performed would include adjectives such as *some*, *reasonable*, *substantive*, or *exhaustive*, or phrases such as *to the best of our efforts*.

- Completeness means that relevant factors that would alter a conclusion about the subject matter are not omitted; in this context, it is not possible for relevant factors to be omitted from the description of the due diligence measures performed that would alter the auditor's conclusion about consistency of the due diligence measures described with the due diligence process undertaken because only the procedures that are actually described will need to be evaluated.
- Relevance means the criteria should be relevant to the subject matter; in this context, the description of the due diligence measures performed should be of the due diligence measures actually performed. Measures that have been included in the design but that have not yet been implemented are not relevant to the description of due diligence measure performed.

Availability to all users is achieved through inclusion of the description in the CMR in a clear manner.

.6 Evaluations Outside the Scope of an IPSA

Inquiry—The audit objectives in the Rule address “just the design of the issuer’s due diligence measures and the issuer’s description of the due diligence measures it performed”.³ What evaluations are outside the scope of an IPSA?

Reply—The Rule describes possible audit objective alternatives that were not adopted⁴. These alternatives included evaluations of:

- The effectiveness of the due diligence measures.
- The accuracy of the conclusions in the Conflict Mineral Report, including whether
 - the issuer’s conclusion regarding the source and chain of custody of its conflict minerals is accurate.
 - the issuer appropriately included in the report all its products described as having not been found to be “DRC conflict free”.
- Whether the results of the due diligence measures are fairly stated.
- Whether the issuer has evaluated/identified the upstream and downstream due diligence processes.

Only the portion of the CMR that describes the design of the issuer’s due diligence framework and the due diligence measures that the issuer performed is within the scope of an IPSA.

Accordingly, the auditor’s examination would not include a number of matters, including an evaluation of:

- Matters relating to the issuer’s reasonable country of origin inquiry, including the design, operating effectiveness and results thereof.
- The consistency of the due diligence process that the issuer undertook with either the design of the issuer’s due diligence framework or the nationally or internationally recognized due diligence framework used by the issuer.
- The completeness of the issuer’s description or operating effectiveness of the due diligence measures performed.
- Whether the reader can determine if the due diligence process the issuer undertook is consistent with the nationally or internationally framework used by the issuer.

As the focus of the auditor’s objectives is on the design of the issuer’s due diligence framework and the due diligence measures undertaken by the issuer, and not on the conclusions that the issuer drew from such procedures, the auditor’s examination does not address the issuer’s conclusions about:

- The conflict minerals necessary to the functionality or production of the product manufactured or contracted to manufactured.

³ Rule 13-p, page 286.

⁴ Rule 13-p, page 285.

- Which conflict minerals were “outside the supply chain” at January 31, 2013.
- The issuer’s products subject to due diligence.
- The source or chain of custody of conflict minerals and the suppliers thereof.
- Whether its products were DRC conflict free, not DRC conflict free, DRC conflict free undeterminable, or not been found to be DRC conflict free.

.7 Sample Procedures for IPSA

Inquiry—In performing the IPSA, the practitioner is required to perform procedures that will accumulate sufficient evidence to restrict engagement risk to an appropriately low level. What are examples of appropriate procedures?

Reply—Appropriate procedures relating to the first objective may include, but are not limited to:

- Ask management to identify how the design of the issuer’s due diligence framework is set forth in the CMR. (Note: As of December 2013, the SEC has not provided guidance on how issuers should describe the design of their due diligence framework.)
- Identifying the nationally or internationally recognized due diligence framework used as the basis for the issuer’s due diligence framework. (Note: As of December 2013, the OECD framework is the only nationally or internationally recognized framework and this Q&A assumes that management will be using the OECD framework. If management has chosen another framework, appropriate procedures would include reviewing management’s determination that such a framework satisfies the SEC’s criteria contained in the Rule for conducting due diligence on the source and chain of custody of its conflict minerals and is nationally or internationally recognized.)
- Obtaining management’s assertion that the design of the company’s due diligence framework, for the period covered by the Conflict Minerals Report, conforms in all material respects to the OECD framework
- Obtaining from management documentation of the design of the issuer’s due diligence framework as set forth in the Conflict Minerals Report, with respect to the period covered by the report.
- Inquiring of management how the design of their due diligence framework conforms to the OECD framework.
- Evaluating whether the design is in conformity, in all material respects, with the OECD framework.
- Obtaining management representations that the design of the due diligence framework conforms, in all material respects, to the OECD framework.

Appropriate procedures relating to the second audit objective may include, but are not limited to:

- Obtaining management’s assertion that the description of the due diligence measures that the issuer performed is consistent with the due diligence process that the issuer undertook for the period covered by the Conflict Minerals Report.
- Inquiring of management as to, and inspecting documentation identifying, the specific due diligence process undertaken
- Obtaining documentation supporting the description of the reported due diligence measures disclosed or planned to be disclosed in the Conflict Minerals Report
- Performing procedures (such as inquiry, recalculation, observation, and inspection) and obtaining evidence that the description of the due diligence measures performed was consistent, in all material respects, with the due diligence process the issuer undertook. The nature and extent of the specific procedures to be performed are determined, and will vary, based on management’s description of its due diligence measures.
- Obtaining management representations that the description of the due diligence measures it performed as set forth in the Conflict Minerals Report, with respect to the period covered by the report, is consistent, in all material respects, with the due diligence process that the issuer undertook.

.8 GAGAS CPE Requirements

Inquiry—What are the requirements for CPE under GAGAS?

Reply—The GAGAS CPE requirements are a subset of the GAGAS competence requirement. Paragraph 3.69 of the 2011 *Government Auditing Standards* (the “Yellow Book”) states that “the staff assigned to perform the audit must collectively possess adequate professional competence needed to address the audit objectives and perform the work in accordance with GAGAS.”

Paragraph 3.76 of the Yellow Book states that each auditor performing work in accordance with GAGAS should complete, every 2 years, at least 24 hours of CPE that directly relates to government auditing, the government environment or the specific or unique environment in which the audited entity operates. This paragraph also includes a requirement for 80 total hours of CPE in a two-year period. For further information about GAGAS CPE requirements, auditors may refer to paragraph 3.76 of the Yellow Book and the GAO’s *Guidance on GAGAS Requirements for Continuing Professional Education* (www.gao.gov/govaud/ybcpe2005.pdf).

.9 CPE Topics or Subjects Relevant to an IPSA

Inquiry—What topics or subjects are appropriate to fulfill the 24-hour portion of the GAGAS CPE requirements for an auditor performing an IPSA of a CMR?

Reply—Paragraph 3.77 of the Yellow Book states that “determining what subjects are appropriate for individual auditors to satisfy both the 80 and the 24 hour requirements is a matter of professional judgment to be exercised by auditors. . .” Paragraph 16 of *Guidance on GAGAS Requirements for Continuing Professional Education* provides examples of programs and activities that qualify for CPE hours, provided they are in subjects or topics that qualify as GAGAS CPE. Paragraph 18 of that document states “subjects and topics directly related to the specific or unique environment of the entity under audit may include, among others, economic, operating, technical, or regulatory developments in the specialized area in which the audited entity operates and relevant laws and regulations”. The following list provides examples of subjects that are relevant to an IPSA of a CMR:

- *Government Auditing Standards*
- AICPA Auditing Standards
- AICPA Attestation Standards
- PCAOB Auditing Standards
- SEC’s Conflict minerals rule
- Global trends in regulation of conflict minerals
- OECD Due Diligence Guidance
- Smelter certifications
- Supply chain systems
- Nature of the industry in which the entity operates

.10 Reporting Directly on the Subject-Matter or on Management’s Assertion

Inquiry—In an IPSA of a CMR, may the practitioner report either directly on the subject matter or on management’s assertion for each of the two audit objectives?

Reply—In an IPSA performed in accordance with GAGAS and the AICPA attestation standards, a practitioner may report, for either audit objective, either directly on the subject matter or on management’s assertion. However, if the CMR includes one or more material misstatements based on the criteria, the practitioner should modify the opinion and express a qualified or adverse opinion directly on the subject matter, as discussed in paragraph .79 of AT-C section 205. Nothing precludes the practitioner from examining an assertion but opining directly on the subject matter.

.11 Form of Practitioner’s Report for IPSA of a CMR

Inquiry—If a practitioner performs an IPSA in accordance with GAGAS and the AICPA attestation standards (AICPA, *Professional Standards*, AT-C), are there examples of how a report may be drafted?

Reply—Examples of a practitioner’s report for the IPSA are illustrated below. All illustrations assume that the OECD Due Diligence Guidance is the relevant due diligence framework used by the issuer.

The illustrative IPSA reports presented below include an explanatory paragraph emphasizing matters that were not part of the examination, and the related disclaimer of opinion thereon, to reduce the likelihood of the practitioner’s opinion on the subject matter of the two audit objectives being misconstrued. The practitioner should use professional judgment in considering the matters to be emphasized, and language consistent with the particular facts and circumstances of each engagement.

Illustration 1

The following is an illustrative report on an IPSA in which the practitioner examines management’s assertion relating to the first audit objective and the subject matter for the second audit objective, and opines directly on the subject matter for both objectives:

INDEPENDENT ACCOUNTANT’S REPORT

To *[insert appropriate addressee]*

We have examined:

- management’s assertion, included in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, that *[insert management’s assertion, for example, the design of XYZ Company’s (the “Company”) due diligence framework is in conformity with the criteria set forth in the Organisation of Economic Co-Operation and Development *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, Second Edition 2013 (“OECD Due Diligence Guidance”)]*, and
- whether the Company’s description of the due diligence measures it performed, as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

Management is responsible for the design of the Company’s due diligence framework and the description of the Company’s due diligence measures set forth in the Conflict Minerals Report, and performance of the due diligence measures. Our responsibility is to express an opinion on the design of the Company’s due diligence framework and on the description of the due diligence measures the Company performed, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the design of the Company’s due diligence framework is in conformity with the OECD Due Diligence Guidance and whether the description of the due diligence measures the Company performed is consistent with the due diligence process that the Company undertook, in all material respects. An examination involves performing procedures to obtain evidence about the design of the Company’s due diligence framework and the description of the due diligence measures the Company performed. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the design of the Company’s due diligence framework and the description of the due diligence measures the Company performed, whether due to error or fraud. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating:

- The consistency of the due diligence measures that the Company performed with either the design of the Company's due diligence framework or the OECD Due Diligence Guidance;
- The completeness of the Company's description of the due diligence measures performed;
- The suitability of the design or operating effectiveness of the Company's due diligence process;
- Whether a third party can determine from the Conflict Minerals Report if the due diligence measures the Company performed are consistent with the OECD Due Diligence Guidance;
- The Company's reasonable country of origin inquiry (RCOI), including the suitability of the design of the RCOI, its operating effectiveness, or the results thereof; or
- The Company's conclusions about the source or chain of custody of its conflict minerals, those products subject to due diligence, or the DRC Conflict Free status of its products.

Accordingly, we do not express an opinion or any other form of assurance on the aforementioned matters or any other matters included in any section of the Conflict Minerals Report other than section(s) *[insert reference to section(s) referenced in paragraph 1 of this report]*.

In our opinion,

- the design of the Company's due diligence framework for the reporting period from January 1 to December 31, 2013, as set forth in section *[insert section reference]* of the Conflict Minerals Report is in conformity, in all material respects, with the OECD Due Diligence Guidance, and
- the Company's description of the due diligence measures it performed as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

[Practitioner's signature]

[Practitioner's city and state]

[Date of Practitioner's report]

Illustration 2

The following is an illustrative report for an IPSA in which the practitioner examines and opines directly on the subject matter for both objectives:

INDEPENDENT ACCOUNTANT'S REPORT

To *[insert appropriate addressee]*

We have examined:

- whether the design of XYZ Company's (the "Company") due diligence framework as set forth in section [insert section reference] of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is in conformity, in all material respects, with the criteria set forth in the Organisation of Economic Co-Operation and Development *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, Second Edition 2013 ("OECD Due Diligence Guidance"), and
- whether the Company's description of the due diligence measures it performed, as set forth in section [insert section reference] of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

Management is responsible for the design of the Company's due diligence framework and the description of the Company's due diligence measures set forth in the Conflict Minerals Report, and performance of the due diligence measures. Our responsibility is to express an opinion on the design of the Company's due diligence framework and on the description of the due diligence measures the Company performed, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the design of the Company's due diligence framework is in conformity with the OECD Due Diligence Guidance and whether the description of the due diligence measures the Company performed is consistent with the due diligence process that the Company undertook, in all material respects. An examination involves performing procedures to obtain evidence about the design of the Company's due diligence framework and the description of the due diligence measures the Company performed. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the design of the Company's due diligence framework and the description of the due diligence measures the Company performed, whether due to error or fraud. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating:

- The consistency of the due diligence measures that the Company performed with either the design of the Company's due diligence framework or the OECD Due Diligence Guidance;
- The completeness of the Company's description of the due diligence measures performed;
- The suitability of the design or operating effectiveness of the Company's due diligence process;
- Whether a third party can determine from the Conflict Minerals Report if the due diligence measures the Company performed are consistent with the OECD Due Diligence Guidance;
- The Company's reasonable country of origin inquiry (RCOI), including the suitability of the design of the RCOI, its operating effectiveness, or the results thereof; or
- The Company's conclusions about the source or chain of custody of its conflict minerals, those products subject to due diligence, or the DRC Conflict Free status of its products.

Accordingly, we do not express an opinion or any other form of assurance on the aforementioned matters or any other matters included in any section of the Conflict Minerals Report other than section(s) [insert reference to section(s) referenced in paragraph 1 of this report].

In our opinion,

- the design of the Company's due diligence framework for the reporting period from January 1 to December 31, 2013, as set forth in section *[insert section reference]* of the Conflict Minerals Report is in conformity, in all material respects, with the OECD Due Diligence Guidance, and
- the Company's description of the due diligence measures it performed as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

[Practitioner's signature]

[Practitioner's city and state]

[Date of Practitioner's report]

Illustration 3

Illustration 3 provides alternate language for the first two paragraphs of illustration 2; otherwise the report is the same as in illustration 2. Whether to use illustration 2 or illustration 3 is solely a matter of practitioner preference.

INDEPENDENT ACCOUNTANT'S REPORT

To *[insert appropriate addressee]*

We have examined:

- the design of XYZ Company's (the "Company") due diligence framework as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, and
- the Company's description of the due diligence measures it performed, as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013.

Management is responsible for the design of the Company's due diligence framework and the description of the Company's due diligence measures set forth in the Conflict Minerals Report, and performance of the due diligence measures. Our responsibility is to express an opinion, based on our examination, on

- whether the design of the Company's due diligence framework is in conformity, in all material respects, with the criteria set forth in the Organisation of Economic Co-Operation and Development *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, Second Edition 2013 ("OECD Due Diligence Guidance"), and
- whether the description of the due diligence measures the Company performed is consistent, in all material respects, with the due diligence process that the Company undertook.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the design of the Company's due diligence framework is in conformity with the OECD Due Diligence Guidance and whether the description of the due diligence measures the Company performed is consistent with the due diligence process that the Company undertook, in all material respects. An examination involves performing procedures to obtain evidence about the design of the Company's due diligence framework and the description of the due diligence measures the Company performed. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the design of the Company's due diligence framework and the description of the due diligence measures the Company performed, whether due to error or fraud. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating:

- The consistency of the due diligence measures that the Company performed with either the design of the Company's due diligence framework or the OECD Due Diligence Guidance;
- The completeness of the Company's description of the due diligence measures performed;
- The suitability of the design or operating effectiveness of the Company's due diligence process;
- Whether a third party can determine from the Conflict Minerals Report if the due diligence measures the Company performed are consistent with the OECD Due Diligence Guidance;
- The Company's reasonable country of origin inquiry (RCOI), including the suitability of the design of the RCOI, its operating effectiveness, or the results thereof; or
- The Company's conclusions about the source or chain of custody of its conflict minerals, those products subject to due diligence, or the DRC Conflict Free status of its products.

Accordingly, we do not express an opinion or any other form of assurance on the aforementioned matters or any other matters included in any section of the Conflict Minerals Report other than section(s) *[insert reference to section(s) referenced in paragraph 1 of this report]*.

In our opinion,

- the design of the Company's due diligence framework for the reporting period from January 1 to December 31, 2013, as set forth in section *[insert section reference]* of the Conflict Minerals Report is in conformity, in all material respects, with the OECD Due Diligence Guidance, and
- the Company's description of the due diligence measures it performed as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

[Practitioner's signature]

[Practitioner's city and state]

[Date of Practitioner's report]

.12 Communicating Findings Required to be Communicated by GAGAS in an IPSA

Inquiry—GAGAS require the practitioner’s attest report to disclose any matters (often referred to as findings) that are set forth in paragraphs 5.20–.26 of the Yellow Book. Paragraphs 5.27–.28 of the Yellow Book set forth the presentation requirements that the practitioner should use, to the extent possible, in reporting a finding. When findings that are required to be communicated are identified, how would a practitioner communicate the findings?

Reply— Attestation Interpretation No. 1, “Reporting on Attestation Engagements Performed in Accordance With *Government Auditing Standards*,” of AT-C section 205 (AICPA, *Professional Standards*, AT-C sec. 9205.01–.03), addresses this question. When findings that are required to be communicated are identified, a practitioner may communicate the findings in the practitioner’s attest report for the IPSA as described in paragraph .03 of AT-C section 9205 or in a separate report which is referred to in the practitioner’s attest report for the IPSA. The following is an example of language that would be added to the practitioner’s attest report when the practitioner chooses to communicate this information in the practitioner’s attest report for the IPSA. These paragraphs would follow the opinion paragraph.

In accordance with *Government Auditing Standards*, we are required to report significant deficiencies and material weaknesses in internal control, and instances of fraud, abuse and noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on the design of the Company’s due diligence framework or the description of the Company’s due diligence measures as set forth in section [*insert section reference*] of the Conflict Minerals Report. We are also required to obtain the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings are described in the attached Schedule of Findings, along with the views of responsible officials. We performed our examination for the purpose described herein and not for the purpose of expressing an opinion on the internal control over the Company’s due diligence measures or on compliance and other matters; accordingly, we express no such opinion.

The purpose of the attached Schedule of Findings is solely to describe certain findings that are required to be reported on our examination engagement, and not to express an opinion on the internal control over the Company’s due diligence measures or on compliance and other matters. This Schedule of Findings is an integral part of an examination engagement under *Government Auditing Standards* when findings that are required to be reported are identified based upon the work performed. Accordingly, the attached Schedule of Findings is not suitable for any other purpose.

.13 Attributes of a CMR That Facilitate an IPSA

Inquiry—What are the attributes of a CMR that will facilitate an IPSA?

Reply—While the Form SD instructions do not specify any particular section headings or subheadings that an issuer is required to use in its CMR, the use of various section headings and subheadings within the CMR may facilitate the identification of the portion of the CMR subject to the IPSA in the practitioner’s attest report as well as improving the readability of the CMR. Two sections that are expected to appear in a CMR based on the Form SD instructions are “Due Diligence” and “Product Description”. In the “Due Diligence” section, subheadings for the design and description of due diligence measures performed would facilitate references in the practitioner’s attest report, as would separately describing due diligence measures performed subject to audit and, if included, due diligence measures not subject to audit. An issuer might also include other headings as illustrated in this [CMR depiction](#).

.14 Management Representations

Inquiry—Paragraph .50 of AT-C section 205 states that a practitioner should request from the responsible party written representations in the form of a letter, and requires specific representations. In an engagement to perform an IPSA, what matters might appear in a representation letter from management?

Reply—Representations that a practitioner should obtain from management are:

- We confirm we are responsible for: [paragraph .50d of AT-C section 205]
 - The selection of the framework as the criteria against which we have evaluated the design of our due diligence framework. [Note that as of December 2014 the OCED framework is the only nationally or internationally recognized and this Q&A assumes that management will be using the OECD framework.]
 - The assertion in the CMR that the design of our due diligence framework is in conformity with the OECD framework.
 - Determining that the OECD framework represents appropriate criteria for our purposes.
 - The description of the due diligence measures that the Company performed, as set forth in the CMR.
- The design of the Company's due diligence framework is in conformity with the criteria set forth in the OECD framework, and the Company's description of the due diligence measures it performed is consistent with the due diligence process that the Company undertook for the reporting period from January 1, 201X to December 31, 201X (the "Reporting Period"). [paragraph .50a of AT-C section 205]
- We are not aware of any matters contradicting our assertion about the design of the Company's due diligence framework or the description of the Company's due diligence measures performed for the Reporting Period, as set forth in the CMR, nor have we received any communications from regulatory agencies, reporting agencies, or others affecting our assertion(s) and disclosures including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report. [paragraph .50c of AT-C section 205]
- There have been no events occurring subsequent to December 31, 201X and through the date of this letter that would have a material effect on the design of the Company's due diligence framework or the Company's due diligence measures performed for the Reporting Period, as set forth in the CMR. [paragraph .50e of AT-C section 205]
- We have provided you with access to all records, data, and other information or documentation related to our due diligence framework and the Company's due diligence measures performed, including related documentation of internal control [paragraph .50f of AT-C section 205]
- We have disclosed to you all known control deficiencies, including significant deficiencies and material weaknesses, in the design or operation of our internal controls regarding the reliability and the preparation of the CMR and the related disclosures in the Form SD. [paragraph .50i of AT-C section 205]
- We have no knowledge of abuse, fraud, or suspected or alleged fraud affecting the Company involving: [paragraph .50j of AT-C section 205]
 - Management
 - Employees who have significant roles in internal control over the preparation of the CMR or the related disclosures in the Form SD
 - Others where the fraud could have a material effect on the CMR or the related disclosures in the Form SD

Representations that a practitioner also might obtain from management are included in the following illustrations:

- We confirm we are responsible for: [paragraph .50d of AT-C section 205]
 - The preparation, fair presentation, and overall accuracy of the Form SD, including the Conflict Minerals Report (CMR), in accordance with Rule 13p-1 of the Securities and Exchange Act of 1934 (the “Rule”).
 - Identifying and ensuring that the Company complies with the laws and regulations applicable to its activities, including the Rule, and informing you of any known violations of such laws and regulations
 - The relevancy and accuracy of the information included in the Form SD and the CMR, including the Company’s determination of the source or chain of custody of its conflict minerals, and determination of those products subject to due diligence.
 - Designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of the Form SD and CMR that are free from material misstatement, whether due to fraud or error.
- The CMR and the related disclosures in the Form SD comply with the requirements of the Rule for the Reporting Period.
- We have communicated to you any changes in the design of the Company’s due diligence framework subsequent to December 31, 201X.
- We have established and maintained a process to address and track the status of your findings, conclusions, and recommendations. We have provided to you our views on such matters, as well as planned corrective actions to be included in the report. We have also identified and informed you of findings and recommendations from previous audits, attestation engagements, or other studies that could have a material effect on the CMR and whether any related recommendations were implemented or corrective actions taken.
- We have identified and disclosed to you all laws, regulations, contracts, and grant agreements and other matters that have a direct and material effect on the subject matter and instances of noncompliance.
- (Statements on any additional matters that the engagement team deems appropriate to tailor the representation letter to the circumstances of the engagement. This may also include representations specific to related non-audit services performed in connection with the conflict mineral examination and representations, if any, needed for an engagement conducted in accordance with GAGAS.)
- We have provided you with:
 - Support and documentation related to our respective assertions
 - Additional information you have requested for purposes of your examination
 - Unrestricted access to persons from whom you determined it was necessary to obtain evidence.

.15 Applicability of Internal Control Procedures Relating to the IPSA

Inquiry—What is the practitioner's responsibility with respect to gaining an understanding of and testing internal controls in performing an IPSA?

Reply—Paragraph .15 of AT-C section 205 requires the practitioner to obtain an understanding of internal control over the preparation of the subject matter relevant to the engagement. This includes evaluating the design of those controls relevant to the subject matter and determining whether they have been implemented by performing procedures in addition to inquiry of the personnel responsible for the subject matter.

Paragraph .24 of AT-C section 205 requires the practitioner to design and perform tests of controls to obtain sufficient appropriate audit evidence about the operating effectiveness of relevant controls if the practitioner intends to rely on the operating effectiveness of controls in designing the nature, timing and extent of other procedures; or if procedures other than tests of controls cannot alone provide sufficient appropriate audit evidence.

Relevant controls related to the first assertion addressed in the IPSA may include those over the process management used to design its due diligence program, and over management's use of tools and techniques intended to ensure that all aspects of the criteria set forth in the OECD framework were incorporated in the design. Relevant controls related to the second assertion addressed in the IPSA may include those over processes developed by the issuer to ensure that the description in the Conflict Minerals Report of the due diligence measures it performed accurately reflect the relevant aspects of the due diligence process the issuer undertook.

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