

Agenda Item 2B



This document is intended to highlight the differences between the proposed draft SSAE, *Specified Procedures* and AT-C section 215, *Agreed Upon Procedures Engagements*. This document assumes that the Accounting and Review Services Committee and the Auditing Standards Board determine to issue the proposed standard as an SSAE.

Requirements	Application and Other Explanatory Material
<p>Introduction</p>	<p>Introduction (Ref: par. .03)</p>
<p>.01 This section contains performance and reporting requirements and application guidance for all agreed-uponspecified procedures engagements. The requirements and guidance in this section supplement the requirements and guidance in section 105, <i>Concepts Common to All Attestation Engagements</i>.</p>	
<p>.02 An agreed-uponspecified procedures engagement is one in which a practitioner is engaged to issue, or does issue, a practitioner's report of findings based on specific agreed-uponspecified procedures applied to subject matter for use by specified parties. The engaging party may determine the procedures to be applied by the practitioner, or the practitioner may determine the procedures if requested to do so by the engaging party. Whether the procedures are determined by the engaging party, the practitioner, or an other party, the engaging party accepts responsibility for the sufficiency of the procedures. Because the specified parties require that findings be independently derived, the services of a practitioner are obtained to perform procedures and report the practitioner's findings. The specified parties determine the procedures they believe to be appropriate to be applied by the practitioner. Because the needs of specified parties may vary widely, the nature, timing, and extent of the agreed-upon procedures may vary, as well; consequently, the specified parties assume responsibility for the sufficiency of the procedures because they best understand their own needs. In an engagement performed under this section, the practitioner does not perform an examination or a review and does not provide an opinion or conclusion. Instead, the practitioner's report on agreed-uponspecified procedures is in</p>	

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the form of procedures and findings.	
.03 When a practitioner performs services pursuant to an engagement to apply agreed-upon procedures to subject matter as part of or in addition to another form of service, this section applies only to those services described herein; other professional standards would apply to the other services. Other services may include an audit, review, or compilation, or preparation of a financial statement, another attestation service performed pursuant to the attestation standards, or a nonattestation service other than financial statement preparation such as engagements performed in accordance with Statements on Standards for Consulting Services . A practitioner's report on applying agreed-upon <u>specified</u> procedures to subject matter may be combined with a practitioner's report on such other services, provided the types of services can be clearly distinguished, and the applicable standards for each service are followed. (Ref: par. .Error! eference source not found.)	.A1 A practitioner may issue a single combined practitioner's report that includes (a) a practitioner's report on subject matter or a presentation that requires a restriction on use to specified parties and (b) a report on subject matter or a presentation that ordinarily does not require such a restriction. The use of such a single combined report may be restricted to the specified parties. In some instances, a separate restricted use report may be included in a document that also contains a general use report. The inclusion of a separate restricted use report in a document that contains a general use report does not affect the intended use of either report. The restricted use report remains restricted as to use, and the general use report continues to be for general use.
.04 This section does not apply to engagements to <u>apply agreed-upon procedures</u> ¹ or to engagements to issue letters (commonly referred to as <i>comfort letters</i>) to underwriters and certain other requesting parties. ²	
Effective Date	
.05 This section is effective for agreed-upon procedures reports dated on or after May 1, 2017 <u>upon issuance</u> .	
Objectives	Objectives (Ref: par. .06a)
.06 In conducting an an <u>agreed-upon</u> <u>specified</u> procedures engagement, the objectives of the practitioner are to <ul style="list-style-type: none"> a. apply to the subject matter procedures that are <u>developed by the engaging party, an other party, or the practitioner established by specified parties who are responsible for the sufficiency of the procedures for their purposes</u>; (Ref: par. <u>.A2A1</u>) b. issue a written practitioner's report that describes the procedures applied and the practitioner's findings; and 	. A2 <u>A1</u> In an <u>agreed-upon</u> <u>specified</u> procedures engagement, the practitioner applies procedures to the subject matter of the engagement. Even though the procedures <u>may be developed by the engaging party or an other party</u> are established by the specified parties , the requirements and guidance related to the subject matter and criteria in section 105 apply. <u>.A2 An example of a requirement to communicate further is the requirement to communicate to the engaging party known and suspected fraud and noncompliance with laws and regulations pursuant to paragraph .37 of this section.</u>

¹ See AT-C section 215, *Agreed-Upon Procedures Engagements (AICPA, Professional Standards)*.

² See AU-C section 920, *Letters for Underwriters and Certain Other Requesting Parties (AICPA, Professional Standards)*.

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c. communicate further as required by relevant AT-C sections. <u>(Ref: par. A2)</u>	
Definition	
.07 For purposes of this section, the following term has the meaning attributed as follows: Nonparticipant party. An additional specified party the practitioner is requested to add as a user of the practitioner’s report subsequent to the completion of the agreed-upon procedures engagement. (The term <i>specified party</i> is defined in section 105.³)	
Requirements	
<u>Subject Matter</u> .07 The subject matter of the specified procedures engagement is that of the entity. This section does not impose responsibilities on management and does not override laws and regulations that governs their responsibilities.	
<u>Ethical Requirements</u> .08 The practitioner should comply with relevant ethical requirements. (Ref: par. .A3 – .A6)	<u>Ethical Requirements</u> (Ref: par. .08) .A3 Ethical requirements consist of those contained in the AICPA Code of Professional Conduct, together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive. .A4 The AICPA Code of Professional Conduct establishes the fundamental principles of professional ethics, which include the following: <ul style="list-style-type: none"> • <u>Responsibilities</u> • <u>The public interest</u> • <u>Integrity</u> • <u>Objectivity and independence</u> • <u>Due care</u> • <u>Scope and nature of services</u> .A5 Due care requires the practitioner to discharge professional responsibilities with competence and have the appropriate capabilities to

³ Paragraph .10 of section 105, *Concepts Common to All Attestation Engagements*.

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	<p><u>perform the engagement and enable an appropriate practitioner’s report to be issued.</u></p> <p><u>.A6 QC section 10, <i>A Firm’s System of Quality Control</i>, sets out the firm’s responsibilities to establish and maintain its system of quality control for engagements performed in accordance with the attestation standards and establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence.⁴</u></p>
<p><u>Professional Judgment</u></p> <p><u>.09 The practitioner should exercise professional judgment in the performance of the engagement in accordance with this section. (Ref: par. .A7-.A11)</u></p>	<p><u>Professional Judgment (Ref: par. .09)</u></p> <p><u>.A7 Professional judgment is essential to the proper conduct of an engagement in accordance with this section because interpretation of relevant ethical requirements and this section and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances.</u></p> <p><u>.A8 The distinguishing feature of the professional judgment expected of the practitioner is that it is exercised by a practitioner whose training, knowledge, and experience have assisted in developing the necessary competencies to achieve reasonable judgments and make informed decisions about appropriate courses of action when undertaking an engagement in accordance with this section. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, assists the practitioner in making informed and reasonable judgments.</u></p> <p><u>.A9 The exercise of professional judgment in individual engagements is based on the facts and circumstances that are known by the practitioner throughout the engagement.</u></p> <p><u>.A10 Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of this section and accounting principles and is appropriate in light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner’s specified procedures report.</u></p>

⁴ Paragraphs .21-.25 of QC section 10.

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	<u>.A11</u> Professional judgment needs to be exercised throughout the engagement performed in accordance with this section. It also needs to be appropriately documented in accordance with the requirements of this section. Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or the evidence obtained.
Conduct of an Agreed-Upon<u>Specified</u> Procedures Engagement	Conduct of an Agreed-Upon Procedures Engagement (Ref: par. .08, .10, and .14d)
.08-10 In performing an agreed-upon <u>specified</u> procedures engagement, the practitioner should comply with this section, <u>and</u> section 105, and any subject-matter section that is relevant to the engagement. A subject-matter AT-C section is relevant to the engagement when it is in effect, and the circumstances addressed by the AT-C section exist. (Ref: par. .A3-.A4)	.A3 For example, if a practitioner were performing agreed-upon procedures related to an entity's compliance with requirements of specified laws, regulations, rules, contracts, or grants, section 105, this section, and section 315, <i>Compliance Attestation</i> , would be relevant. .A4 Although independence is required for agreed-upon procedures engagements, the "Agreed-Upon Procedures Engagements Performed in Accordance With SSAEs" interpretation (AICPA, <i>Professional Standards</i> , ET sec. 1.297.020), establishes independence requirements unique to such engagements.
Preconditions for an Agreed-Upon<u>Specified</u> Procedures Engagement	<u>Preconditions for a Specified Procedures Engagement</u> (Ref: par. .11-.13)
.09 Section 105 indicates that a practitioner must be independent when performing an attestation engagement in accordance with the attestation standards unless the practitioner is required by law or regulation to accept the engagement and report on the subject matter or assertion. ⁵ When the practitioner is not independent but is required by law or regulation to accept an agreed-upon procedures engagement and report on the procedures performed and findings obtained, the practitioner's report should specifically state that the practitioner is not independent. The practitioner is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the practitioner chooses to provide the reasons for the lack of independence, the practitioner should include all the reasons therefor.	

⁵ Paragraph .24 of section 105.

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<p>.10–11 In order to establish that the preconditions for an agreed-upon<u>specified</u> procedures engagement are present, the practitioner should determine that the following conditions, in addition to the preconditions identified in section 105, are present:⁶ (Ref: par. .A5–.A6)</p> <p>a. The specified parties agree on the procedures performed, or to be performed, by the practitioner.</p> <p>b. The specified parties<u>engaging party will</u> take responsibility for the sufficiency of the agreed-upon<u>specified</u> procedures for their purposes. (Ref: par. .A6<u>A12–.A13</u>)</p> <p>c. The practitioner determines that<u>has reason to believe that</u> the specified<u>specified</u> procedures can be performed and reported on in accordance with this section.</p> <p>d. The procedures to be applied to the subject matter are expected to result in reasonably consistent findings using the criteria.</p> <p>e. When applicable, the practitioner agrees to apply any materiality limits established by the specified engaging parties<u>party</u> for reporting purposes.</p> <p>f. Use of the practitioner’s report is to be restricted to the specified parties.</p>	<p>.A5–A12 To satisfy the requirements that the engaging party specified parties agree upon, the procedures performed or to be performed, and that the specified parties take responsibility for the sufficiency of the agreed-upon<u>specified</u> procedures for their purposes, the practitioner ordinarily communicates directly with and obtains affirmative acknowledgment from each of the specified parties<u>the engaging party</u>. For example, this may be accomplished by meeting with the specified parties<u>engaging party</u> or by distributing a draft of the anticipated practitioner’s report or a copy of an engagement letter to the specified parties<u>engaging party</u> and obtaining their<u>its</u> agreement. If the practitioner is not able to communicate directly with all the specified parties, the practitioner may satisfy these requirements by applying any one or more of the following or similar procedures:</p> <ul style="list-style-type: none"> • Compare the procedures to be applied to written requirements of the specified parties. • Discuss the procedures to be applied with appropriate representatives of the specified parties involved. • Review relevant contracts with or correspondence from the specified parties. <p>.A6–A13 Specified parties are<u>The engaging party is</u> responsible for the sufficiency (nature, timing, and extent) of the agreed-upon<u>specified</u> procedures because they it<u>best understands</u> their<u>its</u> own needs. The specified parties<u>engaging party</u> assumes<u>assumes</u> the risk that such procedures might be insufficient for their purposes. In addition, the specified parties<u>engaging party</u> assumes<u>assumes</u> the risk that users of the practitioner’s report they<u>might misunderstand or otherwise inappropriately use findings properly reported by the practitioner.</u></p>
<p>.11–12 The practitioner should not accept an agreed-upon<u>specified</u> procedures engagement when the specified parties<u>engaging party does</u> not agree upon the procedures performed, or to be performed, or do not take responsibility for the sufficiency of the procedures for their purposes. (See paragraphs .38–.40 for the requirements and related application</p>	

⁶ Paragraphs .24–.28 of section 105.

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<p>guidance on satisfying these requirements when the practitioner is requested to add a nonparticipant party.) (Ref: par. .A6<u>A13</u>)</p>	
<p><u>.13 This section does not apply when the practitioner is aware that the engaging party: (Ref: par. .A14-.A15)</u></p> <p><u>a. Plans to engage a practitioner to perform a specified procedures engagement instead of an agreed-upon procedures engagement as required by applicable laws or regulations, contract or agreement, or market practices, or (Ref: par. .A16)</u></p> <p><u>b. Has a responsibility, pursuant to applicable laws or regulations, contract or market practices, to:</u></p> <p style="padding-left: 40px;"><u>i. Conclude the subject matter is in accordance with the criteria,</u> <u>ii. Measure the subject matter against certain criteria (for example, regulations), or</u></p> <p><u>c. Conduct an engagement addressed by existing agreed-upon procedures guidance, (Ref: par. .A17).</u></p>	<p><u>.A14 Applicable laws or regulations, a contract or agreement, or market practices may establish this responsibility, obligation, or expectation.</u></p> <p><u>.A15 This section may be applied when the engaging party:</u></p> <ul style="list-style-type: none"> <u>• Does not have any responsibility, obligation, or expectation to obtain an agreed-upon procedures report on the same subject matter, conclude that the subject matter is in accordance with the criteria, measure the subject matter against certain criteria, conduct an engagement addressed by existing agreed upon procedures guidance, or restrict a report on procedures and findings</u> <u>• Is not in a position to make an assertion or conclude that the subject matter is in accordance with the criteria as they have not performed the initial assessment. Examples include where the practitioner is requested to count and report the results of a ballot vote, or obtain publically available information, such as readily determinable market values of level 1 securities or industry information for benchmarking.</u> <u>• Expects that users may not have a basis to conclude the procedures are sufficient for their purposes, particularly with respect to the nature of the procedures. For example, if the procedures relate to system processing by the engaging party, other users may not have visibility into the actual processes and supporting information to understand if the procedures are appropriate in the circumstances.</u> <p><u>.A16 An example of a market practice that may require an agreed-upon procedures engagement would be a royalty audit.</u></p> <p><u>.A17 An example of existing agreed-upon procedures guidance is SOP 13-2, <i>Performing Agreed-Upon Procedures Engagements That Address the Completeness, Mapping, Consistency, or Structure of XBRL-Formatted Information.</i></u></p>
<p><u>Independence</u></p>	<p><u>Independence (Ref: par. .14)</u></p>

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<p><u>.14</u> The practitioner must determine whether the practitioner is independent of the entity. (Ref: par.X.A18)</p>	<p><u>.A18</u> The interpretations of the “Independence Rule” (ET sec. 1.200.001) of the AICPA Code of Professional Conduct provide authoritative guidance with respect to independence. It is in the public interest and, therefore, required by this section, that the practitioner modify the practitioner’s specified procedures report when the practitioner is not independent of the entity. The AICPA Code of Professional Conduct also defines <i>independence</i> as consisting of two elements, independence of mind and independence in appearance. Independence enhances the practitioner’s ability to act with integrity and be objective. Independence implies an impartiality that recognizes an obligation to be fair not only to management but also to users of the subject matter, who may rely upon the practitioner’s specified procedures report. In the absence of an interpretation of the “Independence Rule” that addresses a particular relationship or circumstance, a member should apply the “Conceptual Framework for Independence” interpretation (ET sec. 1.210.010).</p>
<p>Agreeing on the Terms of the Engagement</p>	<p>Agreeing on the Terms of the Engagement (Ref: par. .1215-.16, and .14b and e27)</p>
<p>.12-15 The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A7A19-.A20)</p>	<p>.A7-A19 It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. For example, it reduces the risk that the engaging party may inappropriately rely on or expect the practitioner to protect the engaging party against certain risks or perform certain functions, including those that are the engaging party’s responsibility. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.</p> <p>.A20 A contract is another suitable form of written communication. The understanding with the engaging party regarding the services to be performed for a specified procedures engagement is required by paragraph X.15 to be in a documented form, and, accordingly, an oral understanding is insufficient. An engagement letter is the most common and usually the most convenient method for documenting the understanding with management regarding the services to be performed for specified procedures engagements.</p>
<p>.13 The agreement should be addressed to the engaging party.</p>	

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<p>.14-16 The agreed-upon terms of the engagement should include the following:</p> <ul style="list-style-type: none"> a. The nature objectives of the engagement b. Identification of the subject matter or assertion, the responsible engaging party, and the criteria to be used (Ref: par. .A8A21) c. Identification of specified partiesThe nature of the expected specified procedures (Ref: par. A22) d. Acknowledgment by the specified parties of tTheir responsibilities of the engaging party, including responsibility for the sufficiency of the specified procedures (Ref: par. .A6) e. The responsibilities of the practitioner (Ref: par. .A9A23-.A10A24) <u>f. The limitations of the specified procedures engagement</u> fg. A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants <u>h. The expected form and content of the practitioner's specified procedures report and a statement that there may be circumstances in which the report may differ from its expected form and content</u> g. Agreement on procedures by enumerating (or referring to) the procedures h. Disclaimers expected to be included in the practitioner's report i. Use restrictions ji. Assistance to be provided to the practitioner kj. Involvement of a practitioner's an external specialist, if applicable jk. Agreed-upon mMateriality limits specified by the specified parties, if applicable (Ref: par. .A25) 	<p>.A8-A21 The criteria may be indicated in the procedures as opposed to being described separately.</p> <p><u>X.A22</u> <u>The nature of a specified procedures engagement is such that the procedures may change during the course of the engagement. The engaging party and the practitioner may not know the necessary procedures at the onset of the engagement and therefore, the terms of the engagement need only include the objective and nature of the expected procedures and not the actual procedures.</u></p> <p>.A9-A23 The responsibility of the practitioner is to carry out the procedures and report the findings in accordance with the attestation standards. The practitioner assumes the risk that misapplication of the procedures may result in inappropriate findings being reported. Furthermore, the practitioner assumes the risk that appropriate findings may not be reported or may be reported inaccurately. The practitioner's risks can be reduced through adequate planning and supervision and due professional care in performing the procedures, accumulating the findings, and preparing the practitioner's report.</p> <p>.A10-A24 The practitioner has no responsibility to determine the differences between the agreed-upon specified procedures to be performed and the procedures that the practitioner would have determined to be necessary had the practitioner been engaged to perform another form of attestation engagement. The procedures that the practitioner agrees to performs pursuant to an agreed-upon specified procedures engagement may be more or less extensive than the procedures that the practitioner would determine to be necessary had he or she been engaged to perform another form of engagement.</p> <p><u>X.A25</u> <u>The practitioner has no responsibility to agree upon or otherwise obtain specified materiality limits from the engaging party. The requirement to include materiality limits in the terms of the engagement is applicable only when the practitioner is aware of such materiality limits at the onset of the engagement. Materiality limits may be obtained from the engaging party after agreement on the terms of the engagement or the practitioner may determine materiality limits without input from the engaging party.</u></p>

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<p>X.17 <u>The engagement letter or other suitable form of written agreement should be addressed to the engaging party and should be signed by</u></p> <p style="padding-left: 40px;">a. <u>The practitioner or the practitioner’s firm and</u></p> <p style="padding-left: 40px;">b. <u>The engaging party</u></p>	
<p>Requesting a Written Assertion</p>	<p>Requesting a Written Assertion (Ref: par. .15–.16)</p>
<p>.15 <u>The practitioner should request from the responsible party a written assertion about the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A11–.A15)</u></p>	<p>.A11 <u>Situations may arise in which the current responsible party was not present during some or all of the period covered by the practitioner’s report. Such persons may contend that they are not in a position to provide a written assertion that covers the entire period because they were not in place during some or all of the period. This fact, however, does not diminish such persons’ responsibilities for the subject matter as a whole. Accordingly, the requirement for the practitioner to request a written assertion from the responsible party that covers the entire relevant period(s) still applies.</u></p> <p>.A12 <u>Paragraph .28a requires the practitioner to request a written representation from the responsible party that is the same as the responsible party’s assertion. If the responsible party provides the practitioner with the written representation in paragraph .28a, the practitioner need not request a separate written assertion, unless a separate written assertion is called for by the engagement circumstances.</u></p> <p>.A13 <u>In an agreed-upon procedures engagement, the procedures that the practitioner is asked to perform frequently consist of comparing information from one source with information from another source to determine whether they agree. For that reason, the criteria identified in the assertion might be the agreement of one amount with another amount.</u></p> <p>.A14 <u>The following are examples of assertions the responsible party might make related to accounts receivable in the engagement that results in the practitioner’s report illustrated in example 2 of paragraph .A48:</u></p> <ul style="list-style-type: none"> • <u>General ledger account 250, “Accounts Receivable,” as of December 31, 20XX, accurately summarizes the accounts</u>

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	<p>receivable aged trial balance, which accurately summarizes individual customer account balances as of that date.</p> <ul style="list-style-type: none"> • The accounts receivable subsidiary ledger as of December 31, 20XX accurately summarizes individual account balances in the aged trial balance of accounts receivable as of that date. • The aged trial balance of accounts receivable as of December 31, 20XX, accurately ages outstanding invoices in the accounts receivable subledger as of that date. • The accounts receivable trial balance as of December 31, 20XX, accurately summarizes amounts due from customers at that date. <p>Alternatively, a single assertion such as the following might be appropriate:</p> <ul style="list-style-type: none"> • The accounts receivable aged trial balance as of December 31, 20XX, accurately presents the general ledger balance and the amounts and ages of individual customer balances as of that date. • Additional assertions would be necessary for the engagement resulting in the report in example 2 of paragraph .A48, for example, an assertion about cash, or in the case of a single assertion, the assertion would need to be modified to address cash. <p>.A15 Paragraph .36 contains reporting requirements for situations in which the responsible party refuses to provide the practitioner with a written assertion.</p>
<p>.16 If the engaging party is not the responsible party, and the practitioner is aware that the responsible party refuses to provide the practitioner with a written assertion, the written agreement required by paragraph .12 should make clear that no such assertion will be provided to the practitioner. (Ref: par. .A15)</p>	
<p>Procedures to Be Performed</p>	<p>Procedures to Be Performed (Ref: par. .17 and .1918-19)</p>

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<p><u>X.18</u> In considering the appropriateness of the procedures to be performed, the practitioner should consider discussing with the engaging party that certain procedures may result in findings that would not be appropriate for general distribution. (Ref: par. .A26)</p>	<p><u>X.A26</u> Procedures that may not be appropriate for general distribution include those that may not be understood by a general audience, may be associated with laws or regulations, or personal identifiable information.</p>
<p><u>.17-19</u> The practitioner should utilize professional judgment in making a determination as to whether the specified procedures are sufficiently precise and clear. The practitioner should not perform procedures that are open to varying interpretations. Terms of uncertain meaning (such as <i>general review</i>, <i>limited review</i>, <i>check</i>, or <i>test</i>) should not be used in describing the procedures. (Ref: par. .A27-.A33)The procedures agreed upon pursuant to paragraph .14g should specify the nature, timing, and extent of the procedures. (Ref: par. .A16-.A20)</p>	<p><u>.A27</u> While the engaging party is responsible for the sufficiency of the procedures, in assessing whether the procedures are sufficiently clear, the practitioner may have to perform a more rigorous consideration than that which would be performed in an agreed-upon procedures engagement. This is because, in an agreed-upon procedures engagement, the specified parties for whom the report is intended agree upon the procedures to be performed by the practitioner and, as such, it is presumed that those intended users sufficiently understand the procedures to be performed. Because the specified procedures report is not required to be restricted, the practitioner cannot ascertain the understanding of an unknown population. As such, additional diligence would be applied in assessing the clarity of the procedures in a specified procedures engagement.</p> <p><u>.A28</u> To avoid vague or ambiguous language the procedures to be performed are characterized by the action to be taken at a level of specificity sufficient for a reader to understand the nature and extent of the procedures performed. Examples of acceptable descriptions of actions are the following:</p> <ul style="list-style-type: none"> • <u>Inspect</u> • <u>Compare</u> • <u>Agree</u> • <u>Trace</u> • <u>Inquire</u> • <u>Recalculate</u> • <u>Observe</u> • <u>Mathematically check</u> <p><u>Conversely, the following descriptions of actions (unless defined to indicate the nature, timing, and extent of the procedures associated with these actions) generally are not acceptable because they are not sufficiently</u></p>

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	<p><u>precise or have an uncertain meaning:</u></p> <ul style="list-style-type: none"> • <u>Note</u> • <u>Review</u> • <u>General review</u> • <u>Limited review</u> • <u>Evaluate</u> • <u>Analyze</u> • <u>Check</u> • <u>Test</u> • <u>Interpret</u> • <u>Verify</u> • <u>Examine</u> • <u>Validate</u> • <u>Certify</u> <p>.A16-A29 The <u>specified</u> procedures that the practitioner and specified parties agree upon may be as limited or as extensive as the <u>specified partiesengaging party</u> desires. However, mere reading of an assertion or specified information about the subject matter does not constitute a procedure sufficient to permit a practitioner to report on the results of applying agreed-upon<u>specified</u> procedures.</p> <p>.A17-A30 Examples of appropriate procedures include the following:</p> <ul style="list-style-type: none"> • Execution of a sampling application after agreeing on relevant parameters • Inspection of specified documents evidencing certain types of transactions or detailed attributes thereof • Confirmation of specific information with third parties • Comparison of documents, schedules, or analyses with certain

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	<p>specified attributes</p> <ul style="list-style-type: none"> • Performance of specific procedures on work performed by others, <u>such as other practitioners</u> • Performance of mathematical computations <p>.A18 <u>.A31</u> Examples of inappropriate procedures include the following:</p> <ul style="list-style-type: none"> • Mere reading of the work performed by others solely to describe their findings • Evaluating the competency or objectivity of another party • Obtaining an understanding about a particular subject • Interpreting documents outside the scope of the practitioner's professional expertise <p>.A19 <u>.A32</u> If the practitioner is selecting a sample, stating the size of the sample and how the selection was made (after agreement by the specified parties regarding the relevant parameters) contributes to the specificity of the description of procedures performed (for example, 50 items starting at the eighth item and selecting every fifteenth item thereafter or invoices issued from May 1 to July 31, 20XX).</p> <p>.A20 <u>.A33</u> Examples of other information the practitioner may include are the date the procedure was performed and the sources of information used in performing the procedure.</p>
<p>.18-20 In some circumstances, the <u>specified</u> procedures agreed upon may evolve or are be modified over the course of the engagement. In such circumstances, <u>to document the engaging party's acknowledgment of its responsibility for the modified procedures, the practitioner should either</u></p> <p>a. the practitioner should amend <u>or include an addendum to</u> the engagement letter or other suitable form of written agreement, as applicable, <u>or</u></p> <p>a.b. <u>obtain a representation letter that includes the engaging party's acknowledgment for</u> to reflect the modified procedures.</p>	

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<p>.19 The practitioner should not agree to perform procedures that are open to varying interpretations. Terms of uncertain meaning (such as <i>general review</i>, <i>limited review</i>, <i>check</i>, or <i>test</i>) should not be used in describing the procedures unless such terms are defined within the agreed-upon procedures. (Ref: par. .A21)</p>	<p>.A21 To avoid vague or ambiguous language, the procedures to be performed are characterized by the action to be taken at a level of specificity sufficient for a reader to understand the nature and extent of the procedures performed. Examples of acceptable descriptions of actions are the following:</p> <ul style="list-style-type: none"> • Inspect • Confirm • Compare • Agree • Trace • Inquire • Recalculate • Observe • Mathematically check <p>Conversely, the following descriptions of actions (unless defined to indicate the nature, timing, and extent of the procedures associated with these actions) generally are not acceptable because they are not sufficiently precise or have an uncertain meaning:</p> <ul style="list-style-type: none"> • Note • Review • General review • Limited review • Evaluate • Analyze • Check • Test • Interpret

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	<ul style="list-style-type: none"> • Verify • Examine
<p>.20-21 The practitioner should obtain evidence from applying the agreed-uponspecified procedures to provide a reasonable basis for the finding or findings expressed in the practitioner’s report but need not perform additional procedures outside the scope of the engagement to gather additional evidence.</p>	
<p>Using the Work of a Practitioner’s External Specialist</p>	<p>Using the Work of a Practitioner’s External Specialist (Ref: par. .2122)</p>
<p>.21-22 The practitioner and the specified partiesengaging party should explicitly agree to the involvement of a practitioner’s external specialist if assisting a practitioner in the performance of an agreed-upona specified procedures engagement. (Ref: par. .A22A34–.A24A36)</p>	<p>.A22–A34 The practitioner’s education and experience enable the practitioner to be knowledgeable about business matters in general, but the practitioner is not expected to have the expertise of a person trained for or qualified to engage in the practice of another profession or occupation. In certain circumstances, it may be appropriate to involve a practitioner’s external specialist to assist the practitioner in the performance of one or more procedures. The following are examples of such circumstances.</p> <ul style="list-style-type: none"> • An attorney providing assistance concerning the interpretation of legal terminology in laws, regulations, rules, contracts, or grants • A medical specialist providing assistance in understanding the characteristics of diagnosis codes documented in patient medical records • An environmental engineer providing assistance in interpreting environmental remedial action regulatory directives that may affect the agreed-uponspecified procedures applied to an environmental liabilities account in a financial statement • A geologist providing assistance in distinguishing between the physical characteristics of a generic minerals group related to information to which the agreed-uponspecified procedures are applied <p>.A23–A35 The agreement regarding the involvement of a practitioner’s external specialists may be reached when obtaining agreement on the procedures performed, or to be performed, and acknowledgment of</p>

Requirements	Application and Other Explanatory Material
	<p>responsibility for the sufficiency of the procedures, as discussed in paragraph .10b<u>11a</u>.</p> <p>.A24-A36 A practitioner may agree to apply procedures to the report or work product of a practitioner's external specialist that does not constitute assistance by the external specialist to the practitioner in an agreed-upon <u>specified</u> procedures engagement. For example, the practitioner may make reference to information contained in a report of a practitioner's external specialist in describing an agreed-upon <u>specified</u> procedure. However, it is inappropriate for the practitioner to agree to merely read the external specialist's report solely to describe or repeat the findings or to take responsibility for all or a portion of any procedures performed by a practitioner's external specialist or the external specialist's work product.</p>
.22-23 The practitioner's report should describe the nature of the assistance provided by the practitioner's external specialist.	
Using the Work of Internal Auditors or Other Practitioners	Using the Work of Internal Auditors or Other Practitioners (Ref: par. .23 <u>24</u>)
.23-24 The agreed-upon <u>specified</u> procedures to be enumerated or referred to in the practitioner's report should be performed entirely by the engagement team or other practitioners. (Ref: par. .A25A37-.A27A39)	<p>.A25-A37 Internal auditors or other personnel may prepare schedules and accumulate data or provide other information for the practitioner's use in performing the agreed-upon<u>specified</u> procedures. Also, internal auditors may perform and report separately on procedures that they have carried out. Such procedures may be similar to those that a practitioner may perform under this section.</p> <p>.A26-A38 A practitioner may agree to perform procedures on information documented in the working papers of internal auditors. For example, the practitioner may agree to</p> <ul style="list-style-type: none"> • repeat all or some of the procedures. • determine whether the internal auditors' documentation indicates procedures performed and whether the findings documented are presented in a report by the internal auditors. <p>.A27-A39 It is inappropriate for the practitioner to</p> <ul style="list-style-type: none"> • agree to merely read the internal auditors' report solely to describe or repeat their findings. • take responsibility for all or a portion of any procedures performed

Requirements	Application and Other Explanatory Material
	<p>by internal auditors by reporting those findings as the practitioner's own.</p> <ul style="list-style-type: none"> report in any manner that implies shared responsibility for the procedures with the internal auditors.
Findings	Findings (Ref: par. .2627–.2728 and .33k)
.24–25 A practitioner should present the results of applying agreed-upon specified procedures to specific subject matter in the form of findings.	
.25–26 The practitioner's report should not express an opinion or conclusion about whether the subject matter is in accordance with (or based on) the criteria or whether the assertion is fairly stated , for example, the report may state that the practitioner compared subject matter to something else but should not state, "Nothing came to our attention that caused us to believe that the subject matter is not in accordance with (or based on) the criteria, in all material respects, or that the assertion is not fairly stated, in all material respects. "	
.26–27 The practitioner should report all findings from application of the agreed-upon specified procedures. Any agreed-upon materiality limits should be described in the practitioner's report. (Ref: par. .A28 A25 and .A40 – .A41)	<p>.A28–A40 <u>If the specified procedures to be performed are revised after the practitioner has performed the initial procedures, the requirement to report all findings extends to the initial procedures.</u></p> <p>.A41 <u>The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement unless the definition of materiality is agreed to by the specified parties.</u> An example of language <u>in the practitioner's report</u> that describes a materiality limit is "For purposes of performing these agreed-uponspecified procedures, no exceptions were reported for differences of \$1,000 or less resulting solely from the rounding of amounts disclosed."</p>
.27–28 <u>In reporting findings,</u> T the practitioner should	.A29–A42 <u>If, in the practitioner's judgment, certain terms are potentially uncertain in meaning, the practitioner may consider whether a glossary is appropriate in the circumstances.</u>
<p><u>a.</u> avoid vague or ambiguous language; in reporting findings. (Ref: par. .A29)</p> <p><u>b.</u> not refer to personally identifiable information such as birth dates or social security numbers; and</p> <p><u>a-c.</u> include definitions of terms that, in the practitioner's judgment, are potentially uncertain in meaning. (Ref: par. .A42)</p>	<p>.A43 <u>The following table provides examples of appropriate and inappropriate descriptions of findings resulting from the application of certain agreed-uponspecified procedures.</u></p>

Requirements	Application and Other Explanatory Material		
	Procedures Agreed Upon	Appropriate Description of Findings	Inappropriate Description of Findings
	Inspect the shipment dates for a <u>specified</u> sample (agreed-upon) of specified shipping documents and determine whether any such dates were subsequent to [date].	No shipment dates shown on the sample of shipping documents were subsequent to [date].	Nothing came to my attention as a result of applying that procedure.
	Recalculate the number of blocks of streets paved during the year ended [date], shown on contractors' certificates of project completion; compare the resultant number to the number in an identified chart of performance statistics as of [date].	The number of blocks of streets paved in the chart of performance statistics was Y blocks more than the number calculated from the contractors' certificates of project completion.	The number of blocks of streets paved approximated the number of blocks included in the chart of performance statistics.
	Recalculate the rate of return on a specified investment (according to an agreed-upon <u>a specified</u> formula) and determine whether the resultant percentage agrees to the percentage in an identified schedule.	No exceptions were found as a result of applying the procedure.	The resultant percentage approximated the predetermined percentage in the identified schedule.
	Inspect the quality standards classification codes in identified	All classification codes inspected in the identified	All classification codes appeared to comply with

Requirements	Application and Other Explanatory Material		
	performance test documents for products produced during [<i>specified period</i>]; compare such codes to those shown in the [<i>identified</i>] computer printout for [<i>specified period</i>] as of [<i>date</i>].	documents were the same as those shown in the computer printout, except for the following: [<i>List all exceptions.</i>]	such performance documents.
	Trace all outstanding checks appearing on a bank reconciliation as of [<i>date</i>] to checks cleared in the bank statement of the subsequent month.	All outstanding checks appearing on the bank reconciliation were traced to the list of cleared checks in the subsequent month's bank statement, except for the following: [<i>List all exceptions.</i>]	Nothing came to my attention as a result of applying the procedure.
	Compare the amounts of the invoices included in the "over 90 days" column shown in an identified schedule of aged accounts receivable of a specific customer as of [<i>date</i>] to the amount and invoice date shown on the corresponding	All outstanding invoice amounts agreed with the amounts shown on the schedule in the "over 90 days" column, and the dates shown on such	The outstanding invoice amounts agreed within approximation of the amounts shown on the schedule in the "over 90 days" column, and nothing came to our attention that the dates shown on such

Requirements	Application and Other Explanatory Material		
	outstanding invoice. Determine whether the dates on the corresponding outstanding invoices precede the date indicated on the schedule by more than 90 days.	outstanding invoices preceded the date indicated on the schedule by more than 90 days.	outstanding invoices preceded the date indicated on the schedule by more than 90 days.
Written Representations	Written Representations (Ref: par. .2829)		
<p>.28 The practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. The representations should (Ref: par. .A30)</p> <ul style="list-style-type: none"> a. include the responsible party's assertion about the subject matter based on the criteria. b. state that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report. c. acknowledge responsibility for <ul style="list-style-type: none"> i. the subject matter and the assertion; ii. selecting the criteria, when applicable; and iii. determining that such criteria are appropriate for the responsible party's purposes. d. state that it has provided the practitioner with access to all records relevant to the subject matter and the agreed-upon procedures. e. state that the responsible party has disclosed to the practitioner other matters as the practitioner deems appropriate. 	<p>.A30 Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person(s) from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party(ies), which may vary by entity, reflecting influences such as size and ownership characteristics.</p>		
.29 When the engaging party is not the responsible party, the practitioner should request written representations from the engaging party, in addition			

Requirements	Application and Other Explanatory Material
<p>to those requested from the responsible party, in the form of a letter addressed to the practitioner. The representations should</p> <p>a. acknowledge that the responsible party is responsible for the subject matter and assertion.</p> <p>b. acknowledge the engaging party's responsibility for selecting the criteria, when applicable.</p> <p>c. acknowledge the engaging party's responsibility for determining that such criteria are appropriate for its purposes.</p> <p>d. state that the engaging party is not aware of any material misstatements in the subject matter or assertion.</p> <p>e. state that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion.</p> <p>f. address other matters as the practitioner deems appropriate.</p>	
<p>.30 The date of the written representations should be as of the date of the practitioner's report. The written representations should address the subject matter and periods covered by the practitioner's findings.</p>	
<p><u>.29 The practitioner is not required to request or obtain written representations from the engaging party however, the practitioner may find a representation letter to be a useful and practical means of obtaining representations from the engaging party. (Ref: par. .A44-.A45)</u></p>	<p><u>.A44 The need for a representation letter may depend on the nature of the engagement for example, an engagement related to compliance with specified requirements.</u></p> <p><u>.A45 Examples of matters that may appear in a representation letter from the engaging party include the following:</u></p> <ul style="list-style-type: none"> <u>• A statement acknowledging responsibility for the subject matter</u> <u>• A statement acknowledging responsibility for selecting the criteria and for determining that such criteria are sufficient and appropriate for their purposes</u> <u>• A statement acknowledging responsibility for the specified procedures performed</u>

Requirements	Application and Other Explanatory Material
	<ul style="list-style-type: none"> • <u>A statement that all known matters contradicting the subject matter and any communication from regulatory agencies affecting the subject matter has been disclosed to the practitioner</u> • <u>Availability of all records relevant to the subject matter and the specified procedures</u> • <u>Other matters as the practitioner deems appropriate.</u>
<p><u>.30 The engaging party's refusal to furnish written representations determined by the practitioner to be appropriate for the engagement constitutes a limitation on the performance of the engagement. In such circumstances, the practitioner should do one of the following:</u></p> <p style="margin-left: 20px;"><u>a. Disclose in the practitioner's specified procedures report the inability to obtain representations from the engaging party;</u></p> <p style="margin-left: 20px;"><u>b. Withdraw from the engagement; or</u></p> <p style="margin-left: 20px;"><u>c. Change the engagement to another form of engagement.</u></p>	
Requested Written Representations Not Provided or Not Reliable	Requested Written Representations Not Provided or Not Reliable (Ref: par. .31c, .32, and .43b(iv))
<p>.31 When the engaging party is the responsible party, and one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should</p> <p style="margin-left: 20px;">a. discuss the matter with the appropriate party(ies);</p> <p style="margin-left: 20px;">b. reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect, if any, on the engagement; and</p> <p style="margin-left: 20px;">c. if any of the matters are not resolved to the practitioner's satisfaction, take appropriate action. (Ref: par. .A31)</p>	<p>.A31 Appropriate actions the practitioner might consider in the circumstances described in paragraph .31c include</p> <ul style="list-style-type: none"> • withdrawing from the engagement • determining the effect on the practitioner's report.
<p>.32 When the engaging party is not the responsible party</p> <p style="margin-left: 20px;">a. if one or more of the requested representations in paragraph .28 are not provided in writing by the responsible party, the practitioner</p>	<p>.A32 Documentation requirements regarding the responsible party's oral responses to the practitioner's inquiries about the matters in paragraph .28 are included in paragraph .43b(iv).</p>

Requirements	Application and Other Explanatory Material
<p>should make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph .28. (Ref: par. .A32)</p> <p>b. if one or more of the requested representations are not provided in writing or orally from the responsible party, the practitioner should take appropriate action. (Ref: par. .A33)</p>	<p>.A33 Appropriate action the practitioner might consider in the circumstances described in paragraph .32b include</p> <ul style="list-style-type: none"> • withdrawing from the engagement • determining the effect on the practitioner's report
<p>Preparing the Practitioner's Report</p>	<p>Preparing the Practitioner's Report (Ref: par. .3331)</p>
<p>.33-31 The practitioner's report <u>on specified procedures</u> should be in writing. (Ref: par. .A34A46)</p>	<p>.A34-A46 This section does not require a standardized format for reporting on all <u>agreed-upon specified</u> procedures engagements. Instead, it identifies the basic elements that the report <u>on specified procedures</u> is to include. The r<u>Reports on specified procedures are</u> tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the <u>specified procedures</u> report.</p>
<p>.34-32 The practitioner's report <u>on specified procedures</u> should be in the form of procedures and findings.</p>	
<p>Content of the Practitioner's <u>Agreed-Upon Specified</u> Procedures Report</p>	<p>Content of the Practitioner's <u>Agreed-Upon Specified</u> Procedures Report</p>
<p>.35-33 The practitioner's agreed-upon procedures report <u>on specified procedures</u> should include the following: (Ref: par. .A56)</p> <ol style="list-style-type: none"> a. A title that clearly indicates that it is the practitioner's specified procedures report includes the word independent. (Ref: par. .A35A47-.A48) b. An appropriate addressee as required by the circumstances of the engagement. c. An identification of the subject matter or assertion and the nature of an agreed-upon <u>specified</u> procedures engagement. (Ref: par. .A36A49) d. An identification of the specified parties <u>engaging party and its responsibility for the sufficiency, including the nature, timing, and extent of the specified procedures.</u> e. A statement that the procedures performed were those agreed to by the specified parties identified in the report. A statement that the 	<p>Title (Ref: par. .35a33a)</p> <p>.A35-A47 If the practitioner is independent, the practitioner may indicate that the practitioner is independent in the title.</p> <p>.A48 A title indicating that the practitioner's report is the report of an independent practitioner (for example, <u>Appropriate titles include "Independent Practitioner's Report on Applying Specified Procedures," "Report of Independent Certified Public Accountant," or "Independent Accountant's Practitioner's Report on Applying Specified Procedures"</u>) affirms that the practitioner has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner's report from reports issued by others.</p> <p>Identification of the Subject Matter or Assertion (Ref: par. .35c33c)</p> <p>.A36-A49 A practitioner may be asked to apply <u>agreed-upon specified</u> procedures to more than one subject matter or assertion. In these</p>

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<p><u>engaging party assumes the risk that the procedures may be insufficient for the purposes or that users of the practitioner’s report might misunderstand or otherwise inappropriately use the findings.</u> (Ref: par. .A50)</p> <p>f. <u>A statement that the procedures may not address all of the items of interest to the user and may not meet the needs of all users.</u></p> <p>g. <u>A statement that identifies the responsible-engaging party and its responsibility-responsible for the subject matter-or-its-assertion.</u></p> <p>gh. <u>A statement that the engaging party has not provided a written statement regarding the subject matter, if applicable.</u></p> <p>i. <u>the sufficiency of the procedures is solely the responsibility of the parties specified in the report</u></p> <p>ii. <u>A statement that the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose.</u></p> <p>h. <u>A list of the procedures performed (or reference thereto) and related findings. (The practitioner should not provide a conclusion. (See paragraph .25.)</u></p> <p>ih. When applicable, a description of any <u>agreed-upon-materiality limits.</u></p> <p>-ji. A statement that</p> <ol style="list-style-type: none"> i. the <u>agreed-upon-specified</u> procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. ii. the practitioner was not engaged to and did not conduct an examination or review <u>of the subject matter</u>, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. (Ref: par. .A51) iii. the practitioner does not express such an opinion or conclusion. 	<p>engagements, the practitioner may issue one practitioner’s report that refers to all subject matter covered or assertions presented. Section 315 contains an example of language that may be used in the introductory paragraph to address such circumstances.⁷</p> <p><u>Risk That the Procedures May Be Insufficient For the Proposes (Ref: par. .33e)</u></p> <p><u>.A50 Because the user is not required to be involved in the development of the procedures and the report is not required to be restricted as to use, individual users will need to assess the applicability of the procedures and findings for their purposes and different users may use the report in different ways.</u></p> <p><u>Statement When the Subject Matter Consists of Elements, Accounts, or Items of a Financial Statement (Ref: par. .35 33i(ii))</u></p> <p><u>.A37-A51</u> If the subject matter consists of elements, accounts, or items of a financial statement, the practitioner’s report might, instead, state that the <u>agreed-upon-specified</u> procedures do not constitute an audit (or a review) of financial statements or any part thereof, the objective of which is the expression of an opinion (or conclusion) on the financial statements or a part thereof.</p> <p><u>Statement Identifying Specific Limitations of the Engagement (Ref: par. .33j)</u></p> <p><u>X.A52 An example, of a statement identifying specific limitations of a specified procedures engagement in connection with an observation of a state lottery drawing, is as follows:</u></p> <p><u>The specified procedures described in this report were not performed for the purpose of:</u></p> <ol style="list-style-type: none"> <u>a. Satisfying any criteria published by a State Lottery</u> <u>b. Concluding on the appropriateness of the procedures</u> <u>c. Making any findings with respect to:</u>

⁷ Paragraph .A32 of section 315, *Compliance Attestation*.

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<p>iv. had the practitioner performed additional procedures, other matters might have come to the practitioner's attention that would have been reported. (Ref: par. .A37)</p> <p>j. A statement identifying specific limitations of the specified procedures engagement. (Ref: par. .A52)</p> <p><u>k. A list of the procedures performed (or reference thereto) and related findings. (The practitioner should not provide a conclusion or any recommendations in the practitioner's report). (Ref: par. .A40)</u></p> <p>k. When applicable, a description of the nature of the assistance provided by a practitioner's external specialist, as discussed in paragraphs .21-.22.</p> <p>l. When applicable, reservations or restrictions concerning procedures or findings. (Ref: par. .A38<u>A53</u>)</p> <p>m. An alert, in a separate paragraph, that restricts the use of the report. The alert should</p> <p style="padding-left: 20px;">i. state that the practitioner's report is intended solely for the information and use of the specified parties,</p> <p style="padding-left: 20px;">ii. identify the specified parties for whom use is intended, and</p> <p style="padding-left: 20px;">iii. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A39-.A40)</p> <p>n. When the engagement is also performed in accordance with <i>Government Auditing Standards</i>, the alert that restricts the use of the report should include the following information, rather than the information required by paragraph .35m:</p> <p style="padding-left: 20px;">i. A description of the purpose of the report, and</p> <p style="padding-left: 20px;">ii. A statement that the report is not suitable for any other purpose.</p> <p><u>om. The manual or printed signature of the <u>practitioner or the practitioner's firm.</u> (Ref: par. .A54)</u></p> <p><u>pn. The city and state where the practitioner practices. (Ref: par. .A41<u>A55</u>)</u></p>	<p style="padding-left: 20px;">i. Whether XYZ Company complied with federal, state or local laws or regulations or</p> <p style="padding-left: 20px;">ii. Any other factor that would be material to the likelihood that the State will pay the winner the appropriate proceeds/winnings</p> <p><i>Reservations or Restrictions Concerning Procedures or Findings (Ref: par. .35<u>33</u>)</i></p> <p>.A38-A53 The practitioner also may include explanatory separate paragraph(s) about matters such as the following:</p> <ul style="list-style-type: none"> • Disclosure of stipulated facts, assumptions, or interpretations (including the source thereof) used in the application of agreed-upon<u>specified</u> procedures • Description of the condition of records, controls, or data to which the procedures were applied • Explanation that the practitioner has no responsibility to update the practitioner's report • Explanation that the sample may not be representative of the population <p>iii. _____</p> <p><i>Restricted Use (Ref: par. .35m)</i></p> <p>.A39 The purpose of the restriction on the use of the practitioner's report on applying agreed-upon procedures is to restrict its use to only those parties that have agreed upon the procedures performed and taken responsibility for the sufficiency of the procedures. Paragraph .38 describes the process for adding parties who were not originally contemplated in the agreed-upon procedures engagement.</p> <p>.A40 In some cases, a restricted-use practitioner's report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to a restricted-use report in which they are not named as a specified party.</p>

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<p>40. The date of the <u>practitioner's</u> report. (The <u>practitioner's</u> report should be dated no earlier than the date on which the practitioner completed the procedures and determined the findings, including that</p> <ul style="list-style-type: none"> i. the attestation documentation has been reviewed, <u>and</u> ii. if applicable, the written presentation of the subject matter has been prepared, <u>and</u> iii. <u>the responsible party has provided a written assertion, unless the responsible party refuses to provide an assertion.</u> <p><u>h. A list of the procedures performed (or reference thereto) and related findings. (The practitioner should not provide a conclusion)</u></p>	<p><u>Signature of the Practitioner or the Practitioner's Firm (Ref: par. .33m)</u></p> <p><u>X.A54 The signature of the practitioner or the practitioner's firm may be manual, printed, or digital, as appropriate.</u></p> <p><u>Location (Ref: par. .35p33n)</u></p> <p><u>.A41-A55 In the United States of America, the location of the issuing office is the city and state. In another country, it may be the city and country. The city and state where the practitioner practices may be indicated on letterhead that contains the issuing office's location.</u></p> <p><u>X.A56 An illustrative practitioner's report on specified procedures is presented in exhibit "Illustrative Practitioner's Report on Specified Procedures in Connection With a Lottery Drawing."</u></p>
<p><u>Responsible Party Refuses to Provide a Written Assertion</u></p>	<p><u>Responsible Party Refuses to Provide a Written Assertion (Ref: par. .36)</u></p>
<p>.36 When the responsible party refuses to provide the practitioner with a written assertion, the practitioner should disclose in the practitioner's report the responsible party's refusal to provide a written assertion. (Ref: par. .A42-.A43)</p>	<p>.A42 The disclosure in the practitioner's report required by paragraph .36 applies regardless of whether the engaging party is the responsible party.</p> <p>.A43 The following is an example of the disclosure required by paragraph .36:</p> <p style="padding-left: 40px;">Attestation standards established by the American Institute of Certified Public Accountants require that we request a written statement from [identify the responsible party] stating that [identify the subject matter] to which we applied procedures has been accurately measured or evaluated. We requested that [identify the responsible party] provide such a statement but [identify the responsible party] refused to do so.</p>
<p><u>Restrictions on the Performance of Procedures</u></p>	
<p>.37 When circumstances impose restrictions on the performance of the agreed-upon procedures, the practitioner should attempt to obtain agreement from the specified parties for modification of the agreed-upon procedures. When such agreement cannot be obtained (for example, when the agreed-upon procedures are published by a regulatory agency that will not modify the procedures), the practitioner should describe any</p>	

Requirements	Application and Other Explanatory Material
restrictions on the performance of procedures in the practitioner's report or withdraw from the engagement.	
Adding Specified Parties (Nonparticipant Parties)	Adding Specified Parties (Nonparticipant Parties) (Ref: par. .38-.39)
.38 If the practitioner agrees to add a nonparticipant party, the practitioner should obtain affirmative acknowledgment, normally in writing, from the nonparticipant party agreeing to the procedures performed and of its taking responsibility for the sufficiency of the procedures. (Ref: par. .A44)	.A44 Subsequent to the completion of the agreed-upon procedures engagement, a practitioner may be requested by the engaging party to consider the addition of another party as a specified party (a nonparticipant party). The practitioner may agree to add a nonparticipant party as a specified party, based on consideration of such factors as the identity of the nonparticipant party and the intended use of the practitioner's report. If the nonparticipant party is added after the practitioner has issued the report, the report may be reissued, or the practitioner may provide other written acknowledgment that the nonparticipant party has been added as a specified party.
.39 If the practitioner's report is reissued to acknowledge the nonparticipant party, the date of the report should not be changed. (Ref: par. .A44)	
.40 If the practitioner provides written acknowledgment that the nonparticipant party has been added as a specified party, such written acknowledgment ordinarily should state that no procedures have been performed subsequent to the date of the practitioner's report.	
<u>Reporting When the Practitioner is Not Independent</u>	<u>Reporting When the Practitioner is Not Independent</u> (Ref: par. .34)
<u>.34 When the practitioner is not independent with respect to the entity, the practitioner should indicate the practitioner's lack of independence in a final paragraph of the practitioner's specified procedures report. (Ref: par. .A57-.A58)</u>	<p><u>.A57 An example of a disclosure that a practitioner may make to indicate the practitioner's lack of independence would be</u></p> <p style="text-align: center;"><u>We are not independent with respect to XYZ Company.</u></p> <p><u>.A58 The practitioner is not precluded from disclosing a description about the reason(s) that the practitioner's independence is impaired. The following are examples of descriptions the practitioner may use:</u></p> <ul style="list-style-type: none"> <u>• We are not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because I (a member of the engagement team) had a direct financial interest in XYZ Company.</u> <u>• We are not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because an</u>

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	<p><u>individual of my immediate family (an immediate family member of one of the members of the engagement team) was employed by XYZ Company.</u></p> <ul style="list-style-type: none"> <u>We are not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because I (we) performed certain accounting services (the practitioner may include a specific description of those services) that impaired my (our) independence.</u>
<u>.35 If the practitioner elects to disclose a description about the reasons the practitioner’s independence is impaired, the practitioner should include all such reasons in the description.</u>	
Knowledge of Matters Outside Agreed-Upon<u>Specified</u> Procedures	Knowledge of Matters Outside Agreed-Upon<u>Specified</u> Procedures (Ref: par. .4136)
<u>.41-36</u> Although the practitioner need not perform procedures beyond the agreed-upon <u>specified</u> procedures, if in connection with the application, and through the completion of, the agreed-upon <u>specified</u> procedures engagement, matters come to the practitioner’s attention by other means that significantly contradict the subject matter or assertion referred to in the practitioner’s report, the practitioner should include this matter in the practitioner’s report. (Ref: par. .A45A59–.A46A60)	<p>.A45–A59 For example, if, during the course of applying agreed-upon<u>specified</u> procedures regarding an entity’s internal control, the practitioner becomes aware of a material weakness by means other than performance of the agreed-upon<u>specified</u> procedures, this matter would be included in the practitioner’s report. <u>However, pursuant to paragraph .33k, the practitioner is precluded from providing any recommendations in the practitioner’s report.</u></p> <p>.A46–A60 When the practitioner applies agreed-upon<u>specified</u> procedures to an element, account, or item of a financial statement and has performed (or has been engaged to perform) an audit <u>or review</u> of the entity’s related financial statements, and the <u>practitioner’s auditor’s audit or review</u> report on such financial statements includes a departure from the standard report, the practitioner may include a reference to the <u>auditor’s audit or review</u> report and the departure from the standard report in the practitioner’s agreed-upon-procedures<u>report on specified procedures.</u></p>
<u>Alert That Restricts the Use of the Practitioner’s Specified Procedures Report</u>	<u>Alert That Restricts the Use of the Practitioner’s Specified Procedures Report</u> (Ref: par. .37)

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<p><u>.37 A practitioner’s specified procedures report should include an alert, in a separate paragraph, that restricts its use when the subject matter of the practitioner’s specified procedures report is based on (Ref: par. .A61-.A66)</u></p> <p><u>a. Measurement of disclosure criteria that are determined by the practitioner to be suitable only for a limited number of users who can be presumed to have an adequate understanding of the criteria or</u></p> <p><u>b. Measurement or disclosure criteria that are available only to the specified parties.</u></p>	<p><u>.A61 The need for an alert that restricts the use of the practitioner’s specified procedures report arises from the potential for the practitioner’s specified procedures report to be misunderstood if taken out of the context in which the practitioner’s specified procedures report is intended to be used.</u></p> <p><u>.A62 Nothing in this section precludes a practitioner from including an alert in any practitioner’s specified procedures report. For example, when the terms of the specified procedures engagement require the practitioner to supply the practitioner’s specified procedures report only to specified parties, the practitioner may consider it necessary in the circumstances to include a separate paragraph in the practitioner’s specified procedures report that restricts the use of the practitioner’s specified procedures report.</u></p> <p><u>.A63 The need for restriction on the use of a report may result from a number of circumstances, including the purpose of the report, the criteria used in preparation of the subject matter, the extent to which procedures performed are known or understood, and the potential for the report to be misunderstood when taken out of the context in which it was intended to be used</u></p> <p><u><i>Distribution of the Practitioner’s Specified Procedures Report</i> (Ref: par. .37)</u></p> <p><u>.A64 A practitioner is not responsible for controlling, and cannot control, distribution of the practitioner’s specified procedures report after its release. The alert that restricts the use of the practitioner’s specified procedures report is designed to avoid misunderstandings related to the use of the practitioner’s specified procedures report, particularly if the practitioner’s specified procedures report is taken out of the context in which the practitioner’s specified procedures report is intended to be used. A practitioner may consider informing the entity or other specified parties that the practitioner’s specified procedures report is not intended for distribution to parties other than those specified in the practitioner’s specified procedures report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the entity that the intended use of the practitioner’s specified procedures report will be restricted and may obtain the entity’s agreement that</u></p>

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	<p><u>the entity and specified parties will not distribute such practitioner's specified procedures report to parties other than those identified therein.</u></p> <p><u>Illustrative Alert Language</u> (Ref: par. .38)</p> <p><u>.A65</u> <u>The alert that restricts the use of the practitioner's specified procedures report may list the specified parties or refer to the specified parties listed elsewhere in the practitioner's specified procedures report. The following illustrates language that includes the elements required by paragraph X.34:</u></p> <p style="padding-left: 40px;"><u>This report is intended solely for the information and use of [list or refer to the specified parties] and is not intended to be, and should not be, used by anyone other than these specified parties.</u></p> <p><u>Adding Other Specified Parties</u> (Ref: par. .39)</p> <p><u>.A66</u> <u>When the practitioner is requested to add other parties as specified parties, the practitioner may agree to add other parties as specified parties based on the practitioner's consideration of factors such as the identity of the other parties and the intended use of the practitioner's specified procedures report.</u></p>

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<p><u>.38</u> The alert that restricts the use of the practitioner’s specified procedures report required by paragraph X.37 should</p> <ul style="list-style-type: none"> <u>a. state that the practitioner’s specified procedures report is intended solely for the information and use of the specified parties.</u> <u>b. identify the specified parties for whom use is intended.</u> <u>c. state that the practitioner’s specified procedures report is not intended to be, and should not be, used by anyone other than the specified parties.</u> <p>(Ref: par. .A65)</p>	
<p><u>Adding Other Specified Parties</u></p>	
<p><u>.39</u> When, in accordance with paragraph X.33, the practitioner includes an alert that restricts the use of the practitioner’s specified procedures report to certain specified parties and the practitioner is requested to add other parties as specified parties, the practitioner should determine whether to agree to add the other parties as specified parties. (Ref: par. .A66)</p>	
<p><u>.40</u> If the other parties are added after the release of the practitioner’s specified procedures report, the practitioner should either:</p> <ul style="list-style-type: none"> <u>a. Amend the practitioner’s specified procedures report to add the other parties and, in such circumstances, not change the original date of the practitioner’s specified procedures report.</u> <u>b. Provide a written acknowledgment to management and the other parties that such parties have been added as specified parties and state in the acknowledgment that no procedures were performed subsequent to the original date of the practitioner’s specified procedures report.</u> 	
<p>Communication Responsibilities</p>	
<p><u>.42-41</u> The practitioner should communicate to the responsible engaging party known and suspected fraud and noncompliance with laws or regulations. When the engaging party is not the responsible party, the</p>	

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practitioner should also communicate this information to the engaging party.	
<u>Consideration of Subsequent Events and Subsequently Discovered Facts in a Specified Procedures Engagement</u>	<u>Consideration of Subsequent Events and Subsequently Discovered Facts in a Specified Procedures Engagement (Ref: par. X.43)</u>
<u>.42 In performing a specified procedures engagement, a practitioner should consider information about subsequent events that comes to his or her attention.</u>	
<u>.43 While the practitioner has no responsibility to detect subsequent events, the practitioner should inquire of the engaging party as to whether they are aware of any subsequent events, through the date of the practitioner's report that would have a material effect on the subject matter. (Ref: par. .A67)</u>	<u>.A67 If, in accordance with paragraph X.29, the practitioner elected to obtain a representation letter, the letter ordinarily would include a representation concerning subsequent events.</u>
<u>.44 The practitioner has no responsibility to keep informed of events subsequent to the date of his or her report; however, the practitioner may later become aware of conditions that existed at that date that might have affected the practitioner's report had he or she been aware of them. In such circumstances, the practitioner should discuss the matter with the engaging party and determine whether the practitioner's report should be revised to disclose the matter.</u>	
Documentation	<u>Documentation (Ref: par. .43)</u>
<u>.43-45</u> The practitioner should prepare engagement documentation that is sufficient to determine (Ref: par. .A47) <ul style="list-style-type: none"> <u>a. the specified parties' agreement on the procedures.</u> <u>ba.</u> the nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including <ul style="list-style-type: none"> i. the identifying characteristics of the specific items or matters tested; ii. who performed the engagement work and the date such work was completed; <u>iii. when the engaging party is the responsible party and the responsible party will not provide one or more of the requested written representations or the practitioner concludes that there</u> 	<u>.A47</u> The practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.

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<p>is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the matters in paragraph .31a-c</p> <p>iv. when the engaging party is not the responsible party and the responsible party will not provide the written representations regarding the matters in paragraph .28, the oral responses from the responsible party to the practitioner's inquiries regarding the matters in paragraph .28, in accordance with paragraph .32, and (Ref: par. .A32)</p> <p>viii. who reviewed the engagement work performed and the date and extent of such review.</p> <p>eb. the results of the procedures performed and the evidence obtained.</p>	