

Agenda Item 2B



“Specified Procedures Engagements”

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| <p>Introduction</p> <p>X.1 This section contains performance and reporting requirements and application guidance for all specified procedures engagements. The requirements and guidance in this chapter supplement the requirements and guidance in section 105, <i>Concepts Common to All Attestation Engagements</i> [new common concepts chapter to be developed to cover direct engagements and specified procedures].</p> <p>X.2 A specified procedures engagement is one in which a practitioner is engaged to issue, or does issue, a practitioner’s report of findings based on perform specified procedures applied to on subject matter that is the responsibility of another party. 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. In an engagement performed under in accordance with 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 specified procedures is in the form of procedures <u>performed</u> and findings.</p> <p><u>Scope of This Standard</u></p> <p>X.3 When a practitioner performs services pursuant to an engagement to apply specified 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</p> | <p><u>Introduction (Ref: par. X.4)</u></p> <p><u>Scope of This Standard (Ref: par. X.4)</u></p> |

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| <p>services. Other services may include an audit, review, compilation, or preparation of a financial statement; another attestation service performed pursuant to the attestation standards; or a nonattest service other than financial statement preparation such as engagements performed in accordance with Statement on Standards for Consulting Services. A practitioner's report on applying specified 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.</p> | |
| <p>X.4 This section does not apply to engagements to</p> <p style="padding-left: 20px;"><u>a. apply agreed-upon procedures;¹ or to</u></p> <p style="padding-left: 20px;"><u>b. engagements to issue letters (commonly referred to as <i>comfort letters</i>) to underwriters and certain other requesting parties;²</u></p> <p style="padding-left: 20px;"><u>c. conclude that the subject matter is in accordance with the criteria; or</u></p> <p style="padding-left: 20px;"><u>d. measure the subject matter against certain criteria (for example, regulations).</u></p> <p><u>Additionally, an engagement to perform specified procedures may not be sufficient when the engaging party is required by law, regulation, or contract to engage a practitioner to perform an agreed-upon procedures engagement. (Ref: par. X.A1)</u></p> | <p>X.A1 This section would not be applicable when the engaging party has a responsibility, pursuant to existing laws or regulations or contract to:</p> <ul style="list-style-type: none"> — Conclude that the subject matter is in accordance with the criteria, — Measure the subject matter against certain criteria (for example, regulations), or <p>Engage a practitioner to conduct an engagement addressed by existing agreed-upon procedures guidance.</p> <p><u>X.A1 Nothing in this standard is intended to preclude a practitioner from performing a specified procedures engagement and an agreed-upon procedures engagement on the same subject matter.</u></p> |
| <p>Effective Date</p> <p>X.5 This section is effective upon issuance.</p> | |
| <p>Objectives</p> <p>X.6 In conducting a specified procedures engagement, the objectives of the practitioner are to</p> | <p>Objectives (Ref: par. X.6 <u>and X.29f</u>)</p> <p>X.A1-A2 In a specified procedures engagement, the practitioner applies procedures to the subject matter of the engagement. Even though the</p> |

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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| <p>a. apply <u>procedures</u> to the subject matter procedures that are developed by the engaging party, an other party, or the practitioner; (Ref: par. X.A1<u>A2</u>)</p> <p>b. issue a written practitioner’s report that describes the procedures applied and the practitioner’s findings; and</p> <p>c. communicate further as required by relevant AT-C sections. (Ref: par. X.A2<u>A3</u>)</p> | <p>procedures may be developed by the engaging party, or an other party, <u>or the practitioner</u>, the requirements and guidance related to the subject matter and criteria in section 105<u>reference new common concepts chapter for direct engagements and specified procedures engagements</u> apply.</p> <p>X.A2–A3 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 X.37–35 of this section.</p> |
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| <p>Subject Matter</p> <p>X.7 The responsible party is responsible for 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.</p> | |
| <p>Ethical Requirements</p> <p>X.8–7 The practitioner should comply with relevant ethical requirements. (Ref: par. X.A3–A4 – X.A6A7A7)</p> | <p>Ethical Requirements (Ref: par. X.87)</p> <p>X.A3–A4 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.</p> <p>X.A4–A5 The AICPA Code of Professional Conduct establishes the fundamental principles of professional ethics, which include the following:</p> <ul style="list-style-type: none"> • Responsibilities • The public interest • Integrity • Objectivity and independence • Due care • Scope and nature of services |

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| | <p>X.A5–A6 Due care requires the practitioner to discharge professional responsibilities with competence and have the appropriate capabilities to perform the engagement and enable an appropriate practitioner’s report to be issued.</p> <p>X.A6–A7 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.³</p> |
| <p>Professional Judgment</p> <p>X.9–8 The practitioner should exercise professional judgment in the performance of the engagement in accordance with this section. (Ref: par. X. A7A8-X. A11A12)</p> | <p>Professional Judgment (Ref: par. X. 98)</p> <p>X. A7A8 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.</p> <p>X. A8A9 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.</p> |

³ Paragraphs .21-.25 of QC section 10.

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| | <p>X. <u>A9A10</u> The exercise of professional judgment in individual engagements is based on the facts and circumstances that are known by the practitioner throughout the engagement.</p> <p>X. <u>A10A11</u> 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.</p> <p>X. <u>A11A12</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.</p> |
| <p>Conduct of a Specified Procedures Engagement</p> <p>X. <u>10-9</u> In performing a specified procedures engagement, the practitioner should comply with this chapter and [reference new common concepts chapter for direct engagements and specified procedures engagements]section 105.</p> | |
| <p>Preconditions for a Specified Procedures Engagement</p> <p>X. <u>10</u> 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. When the practitioner is not independent but is required by law or regulation to accept a specified 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</p> | <p>Preconditions for a Specified Procedures Engagement (Ref par. X.11-X.13)</p> <p>X. <u>A12</u> To satisfy the requirement that the engaging party take responsibility for the sufficiency of the specified procedures for their purposes, the practitioner ordinarily communicates directly with and obtains affirmative acknowledgment from the engaging party. For example, this may be accomplished by meeting with the engaging party or by distributing a draft of the anticipated practitioner's report or a copy of an engagement letter to the engaging party and obtaining its agreement.</p> |

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| <p>chooses to provide the reasons for the lack of independence, the practitioner should include all the reasons therefor.</p> <p>X.11 In order to establish that the preconditions for a specified procedures engagement are present, the practitioner should determine that the following conditions, in addition to the preconditions identified in [reference new common concepts chapter for direct engagements and specified procedures engagements]section 105, are present:⁴</p> <ul style="list-style-type: none"> a. The engaging party will take responsibility for the sufficiency of the specified procedures for their purposes. (Ref: par. X.A12-X.A13) b<u>a.</u> <u>The practitioner believes that procedures can be performed in order to accomplish the objectives of the engagement that will not be misleading to potential users of the practitioner's specified procedures report.</u> b. The practitioner has reason to believes that the specified procedures can be performed and reported on in accordance with this section. c. The procedures to be applied to the subject matter are expected to result in reasonably consistent findings using the criteria. d. When applicable, the practitioner agrees to apply any materiality limits established by the engaging party for reporting purposes. <p>X.12 The practitioner should not accept a specified procedures engagement when the engaging party does not take responsibility for the sufficiency of the procedures for their purposes. (Ref: par. X.A13)</p> <p>X.13 This section does not apply when the practitioner is aware that the engaging party: (Ref: par. X.A14-X.A15)</p> | <p>X.A13 The engaging party is responsible for the sufficiency (nature, timing, and extent) of the specified procedures because it best understands its own needs. The engaging party assumes the risk that such procedures might be insufficient for their purposes. In addition, the engaging party assumes the risk that users of the practitioner's report might misunderstand or otherwise inappropriately use findings properly reported by the practitioner.</p> <p>X.A14 Applicable laws or regulations, a contract or agreement, or market practices may establish this responsibility, obligation, or expectation.</p> <p>X.A15 This section may be applied when the engaging party: 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 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. 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.</p> <p>X.A16 An example of a market practice that may require an agreed-upon procedures engagement would be a royalty audit.</p> |

⁴ Paragraphs .24-.28 of section 105.

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| <p>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. X.A16)</p> <p>b. Has a responsibility, pursuant to applicable laws or regulations, contract or market practices, to:</p> <ul style="list-style-type: none">i. Conclude the subject matter is in accordance with the criteria,ii. Measure the subject matter against certain criteria (for example, regulations), or | <p>X.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></p> |

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| <p>e. Conduct an engagement addressed by existing agreed-upon procedures guidance, (Ref: par. X.A17).</p> | |
| <p>Independence</p> <p>X.14-12 The practitioner must be independent of the entity when performing a specified procedures engagement. If during the performance of the specified procedures engagement, the practitioner determines that the practitioner's independence is impaired, the practitioner should withdraw from the specified procedures engagement, whether the practitioner is independent of the entity. (Ref: par. X.A18)</p> | <p>Independence (Ref: par. X.1412)</p> <p>X.A18 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 independence 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>X.15-12 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. X.A19A123-X.A20A134)</p> | <p>Agreeing on the Terms of the Engagement (Ref: par. X.1512-X.16-13, X.15 and X.1921)</p> <p>X.A19-A13 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> |

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| | <p>X.A20-A14 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.15-12 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>X.16-13 The agreed-upon terms of the engagement should include the following:</p> <ul style="list-style-type: none"> a. The objectives of the engagement b. Identification of the subject matter, the engaging party, and the criteria to be used (Ref: par. X.A21A15) c. The nature of the expected specified procedures (Ref: par. X.A22A16) d. The responsibilities of the engaging party, including responsibility for the sufficiency of the specified procedures <u>subject matter</u> (Ref: par. X.A17-X.A18) e. The responsibilities of the practitioner (Ref: par. X.A23A19-X.A24A20) <p>The limitations of the specified procedures engagement</p> | <p>X.A21-A15 The criteria may be indicated in the procedures as opposed to described separately.</p> <p>X.A22-A16 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.</p> <p>X.A17 <u>In addition to being responsible for the subject matter, the responsibilities of the engaging party may also include</u></p> <ul style="list-style-type: none"> <u>a. The sufficiency of the specified procedures</u> <u>b. The prevention and detection of fraud</u> <u>c. Ensuring that the entity complies with laws and regulations applicable to its activities</u> <u>d. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, the engaging party provides the practitioner for the engagement</u> |

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| | <p><u>e. Providing the practitioner with</u></p> <ul style="list-style-type: none"> <u>i. Access to all information of which the engaging party is aware that is relevant to the engagement, such as records, documents, and other matters</u> <u>ii. Additional information that the practitioner may request from the engaging party for the purpose of the specified procedures engagement</u> <u>iii. Unrestricted access to persons of whom the practitioner determines it necessary to make inquiries</u> <p><u>X.A23–A18</u> While there is no requirement for the engaging party to <u>acknowledge responsibility for the sufficiency of the procedures, the practitioner may request that the engaging party acknowledge the procedures to be performed. Such acknowledgement may be included in the engagement letter, in a representation letter, or some other communication.</u></p> <p><u>X.A19</u> 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><u>X.A24–A20</u> The practitioner has no responsibility to determine the differences between the 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 performs pursuant to a</p> |

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| | specified procedures engagement may be more or less extensive than the procedures that the practitioner would determine to be necessary had the practitioner been engaged to perform another form of engagement. |
| <p><u>f. The limitations of the specified procedures engagement (Ref: par. X.A21)</u></p> <p>f.g. A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants</p> <p>g.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</p> <p>i. Assistance to be provided to the practitioner</p> <p>j. Involvement of an external specialist, if applicable</p> <p>k. Materiality limits, if applicable (Ref: par. X.A25<u>A22</u>)</p> | <p>X.A21 <u>X.A21</u> The limitations of the specified procedures engagement include instances in which procedures may not be appropriate for general distribution. Such instances include procedures that may not be understood by a general audience, may be associated with laws or regulations, or personal identifiable information.</p> <p>X.A25—A22 <u>X.A25—A22</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, <u>or establishes</u>, 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.</p> |
| <p>X.17—14 <u>X.17—14</u> The engagement letter or other suitable form of written agreement should be addressed to the engaging party and should be signed by</p> <p>a. The practitioner or the practitioner's firm and</p> <p>b. The engaging party</p> | |
| Procedures to be Performed | Procedures to be Performed (Ref: par. X. 18 <u>X.19</u> 13) |

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| <p>X.18—15 The practitioner should design and perform specified procedures that are sufficiently precise and clear and are intended that are sufficiently precise and clear to meet the objectives of the engagement. (Ref: par. X.A16 and X.A23-X.A25)</p> <p>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. X.A26)</p> <p>X.19-16 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. X.A27A26-X.A33A32)</p> <p>X.20 In some circumstances, the specified procedures may evolve or be modified over the course of the engagement. In such circumstances, to document the engaging party's acknowledgment of its responsibility for the modified procedures the practitioner should either</p> <ul style="list-style-type: none"> a. amend or include an addendum to the engagement letter or other suitable form of written agreement, as applicable, or b. obtain a representation letter that includes the engaging party's acknowledgment for the modified procedures. | <p>X.A26 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>X. A23 The specified procedures may be designed by the practitioner, the engaging party, or an other party. Neither the practitioner, engaging party, nor any other party are required to take responsibility that the specified procedures are sufficient to meet the objectives of the engagement or the anticipated expectations of any potential user of the practitioner's specified procedures report. However, nothing precludes the engaging party or an other party from taking such responsibility or the practitioner from requesting that the engaging party or other party take such responsibility.</p> <p>X. A24 While not required, the practitioner may obtain the engaging party's acknowledgment that the specified procedures may not address all items of interest to potential users of the practitioner's specified procedures report, may not meet the needs of all potential users, and may be misleading to some potential users of the practitioner's specified procedures report.</p> <p>X.A25 The practitioner may consider that certain procedures may incorporate information that would not be appropriate for general distribution. (Ref: par. X.A26)</p> <p>X.A27-A26 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 <u>users from an unknown</u></p> |

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| | <p>population. As such, additional diligence would be applied in assessing the clarity of the procedures in a specified procedures engagement.</p> <p>X.A28-A27 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.<u>The following descriptions of actions may be acceptable:</u></p> <ul style="list-style-type: none"> • Inspect • 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 <u>may</u> not <u>be</u> acceptable because they are <u>may</u> not <u>be</u> sufficiently precise or <u>may</u> have an uncertain meaning:</p> <ul style="list-style-type: none"> • Note • Review • General review • Limited review • Evaluate • Analyze |

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| | <ul style="list-style-type: none"> • Check • Test • Interpret • Verify • Examine • Validate • Certify <p>X.A29-A28 The specified procedures may be as limited or as extensive as the engaging party desires. However, mMere reading of specified information about the subject matter does not constitute a procedure sufficient to permit a practitioner to report on the results of applying specified procedures.</p> <p>X.A30-A29 Examples of appropriate procedures <u>that may be appropriate</u> 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 specified attributes • Performance of specific procedures on work performed by others, such as other practitioners • Performance of mathematical computations <p>X.A31-A30 Examples of inappropriate procedures include the following:</p> |

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| | <ul style="list-style-type: none"> • Mere rReading of the work performed by others solely to <u>summarize or</u> 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>X.A32—A31 If the practitioner is selecting a sample, stating the size of the sample and how the selection was made 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>X.A33—A32 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>X.21—17 The practitioner should obtain evidence from applying the specified 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. .2218)</p> |
| <p>X.22 The practitioner and the engaging party should explicitly agree to the involvement of a practitioner's external specialist if assisting a practitioner in the performance of a specified procedures engagement. (Ref: par. X.A34—X.A36)</p> <p>X.23—18 If an external specialist is engaged to assist a practitioner in performing a specified procedures engagement, the practitioner's</p> | <p>X.A34—A33 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 an external specialist to assist the practitioner in the performance of one or more procedures. The following are examples of such circumstances.</p> |

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| <p>report should describe the nature of the assistance provided by the practitioner's external specialist. <u>(Ref: par. X.A33-X.A34)</u></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 specified 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 specified procedures are applied <p>.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 responsibility for the sufficiency of the procedures, as discussed in paragraph .11a.</p> <p><u>X.A36-A34</u> A practitioner may agree <u>decide</u> to apply procedures to the report or work product of a practitioner's <u>an</u> external specialist that does not constitute assistance by the external specialist to the practitioner in a specified procedures engagement. For example, the practitioner may make reference to information contained in a report of a practitioner's external specialist in describing a specified 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 <u>an</u> external specialist or the external specialist's work product.</p> |
| <p>Using the Work of Internal Auditors or Other Practitioners</p> | <p>Using the Work of Internal Auditors or Other Practitioners (Ref: par. X.2419)</p> |

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| <p>X.24-19 The specified 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. X.A37A35-.X.A39A37)</p> | <p>X.A37-A35 Internal auditors or other personnel may prepare schedules and accumulate data or provide other information for the practitioner's use in performing the specified 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>X.A38-A36 A practitioner may perform procedures on information documented in the working papers of internal auditors. For example, the practitioner may</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>.A39-A37 It is inappropriate for the practitioner to</p> <ul style="list-style-type: none"> • merely read the internal auditors' report solely to describe or repeat their findings. • take responsibility for all or a portion of any procedures performed by internal auditors by reporting those findings as the practitioner's own. • report in any manner that implies shared responsibility for the procedures with the internal auditors. |
| <p>Findings</p> <p>X.25-20 The practitioner should present the results of applying specified procedures to specific subject matter in the form of findings.</p> <p>X.26-17 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, for example, the report may state that the practitioner compared subject matter to something else but should not</p> | <p>Findings (Ref: par. X.2721- and X.28-23- and X.33k27k)</p> |

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| 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.” | | | |
| <p>X.27–21 The practitioner should report all findings from the application of the specified procedures. Any materiality limits should be described in the practitioner’s report. (Ref: par. X.A25–A22_ and X.A40A38-X.A41A39)</p> <p><u>X.22</u> The practitioner should consider whether any revision or omission of procedures performed and the corresponding findings result in a potentially misleading specified procedures report.</p> | <p>X.A38 -The practitioner may consider that certain findings may incorporate information that would not be appropriate for general distribution.</p> <p>X.A40 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.</p> <p>X.A41—A39 An example of language in the practitioner’s report that describes a materiality limit is “For purposes of performing these specified procedures, no exceptions were reported for differences of \$1,000 or less resulting solely from the rounding of amounts disclosed.”</p> | | |
| <p>X.28–23 In reporting findings, the practitioner should (Ref: par. X.A43A41)</p> <ul style="list-style-type: none"> a. avoid vague or ambiguous language; b. not refer to personally identifiable information such as birth dates or social security numbers; and c. include definitions of terms that, in the practitioner’s judgment, are potentially uncertain in meaning. (Ref: par. X.A42A40) | <p>X.A42–A40 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.</p> <p>X.A43—A41 The following table provides examples of appropriate and inappropriate descriptions of findings resulting from the application of certain specified procedures.</p> | | |
| | <i>Procedures</i> | <i>Appropriate Description of Findings</i> | <i>Inappropriate Description of Findings</i> ^[A1] |
| | Inspect the shipment dates for a specified sample of | No shipment dates shown on | Nothing came to my attention as a result of |

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| | specified shipping documents, and determine whether any such dates were subsequent to [date]. | the sample of shipping documents were subsequent to [date]. | 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 a specified 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 performance test documents for products produced during [specified | All classification codes inspected in the identified documents were the same as those shown | All classification codes appeared to comply with such performance documents. |

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| | <p><i>period</i>]; compare such codes to those shown in the [identified] computer printout for [<i>specified period</i>] as of [<i>date</i>].</p> | <p>in the computer printout, except for the following:</p> <p>[List all exceptions.]</p> | |
| | <p>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.</p> | <p>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:</p> <p>[List all exceptions.]</p> | <p>Nothing came to my attention as a result of applying the procedure.</p> |
| | <p>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</p> | <p>All outstanding invoice amounts agreed with the amounts shown on the schedule in the "over 90 days" column, and the dates shown on such</p> | <p>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</p> |

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| | 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. |
| <p>Written Representations</p> <p>X.29-24 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. X.A44A42-X.A45A43)</p> <p>X.30-25 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:</p> <ol style="list-style-type: none"> a. Disclose in the practitioner's specified procedures report the inability to obtain representations from the engaging party; b. Withdraw from the engagement; or c. Change the engagement to another form of engagement. | <p>Written Representations (Ref: par. X.2924)</p> <p>X.A44-A42 The need for a representation letter may depend on the nature of the engagement, for example, an engagement related to compliance with specified requirements.</p> <p>X.A45-A43 Examples of matters that may appear in a representation letter from the engaging party include the following:</p> <ul style="list-style-type: none"> • A statement acknowledging responsibility for the subject matter • A statement acknowledging responsibility for selecting the criteria and for determining that such criteria are sufficient and appropriate for their purposes • A statement acknowledging responsibility for the specified procedures performed • 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 • Availability of all records relevant to the subject matter and the specified procedures • Other matters as the practitioner deems appropriate. | | |
| <u>Other Information</u> | <u>Other Information</u> (Ref: par. X.26) | | |

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| <p><u>X.26</u> If prior to or after the release of the practitioner’s report on specified procedures, the practitioner is willing to permit the inclusion of the report in a document that contains the subject matter and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter or the report. If upon reading the other information, in the practitioner’s professional judgment (Ref: par. X.A44–X.A45)</p> <p style="padding-left: 40px;"><u>a. a material inconsistency between that other information and the subject matter or the report exists or</u></p> <p style="padding-left: 40px;"><u>b. a material misstatement of fact exists in the other information, the subject matter or the report</u></p> <p>the practitioner should discuss the matter with the engaging party and take further action as appropriate.</p> | <p><u>X.A44</u> Further actions that may be appropriate if the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact include, for example, the following:</p> <ul style="list-style-type: none"> • <u>Requesting the engaging party to consult with a qualified third party, such as the engaging party’s legal counsel</u> • <u>Obtaining legal advice about the consequences of different courses of action</u> • <u>If required or permissible, communicating with third parties (for example, a regulator)</u> • <u>Describing the material inconsistency in the practitioner’s report</u> • <u>Withdrawing from the engagement, when withdrawal is possible under applicable laws and regulations</u> <p><u>X.A45</u> Other information does not include information contained on the appropriate party(ies)’s website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph X.26.</p> |
| <p>Preparing the Practitioner’s Report</p> | <p>Preparing the Practitioner’s Report (Ref: par. X.3427)</p> |
| <p><u>X.31–27</u> The practitioner’s report on specified procedures should be in writing. (Ref: par. X.A46A46)</p> <p><u>X.32–28</u> The practitioner’s report on specified procedures should be in the form of procedures and findings.</p> | <p><u>X.A46–A46</u> This section does not require a standardized format for reporting on all specified procedures engagements. Instead it identifies the basic elements that the report on specified procedures is to include. Reports on specified procedures are 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 specified procedures report.</p> |
| <p>Content of the Practitioner’s Specified Procedures Report</p> | <p>Content of the Practitioner’s Specified Procedures Report</p> |
| <p><u>X.33–29</u> The practitioner’s report on specified procedures should include the following: (Ref: par. X.A56A61)</p> <p style="padding-left: 40px;">a. A title that <u>includes the word independent to</u> clearly indicates</p> | <p><u>Title (Ref: par. .33a29a)</u></p> <p><u>X.A47</u> If the practitioner is independent, the practitioner may indicate that the practitioner is independent in the title.</p> |

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| <p>that it is the practitioner's specified procedures report <u>of an independent practitioner</u> (Ref: par. X.A47-X.A48)</p> <p>b. An appropriate addressee as required by the circumstances of the engagement <u>(Ref: par. X.A48)</u></p> | <p>X.A48-A47 Appropriate titles include</p> <ul style="list-style-type: none"> • <u>Independent Accountant's Report on Applying Specified Procedures</u> • <u>"Practitioner's Report on Applying Specified Procedures" or "Independent Practitioner's Report on Applying Specified Procedures."</u> • <u>Independent Certified Public Accountant's Report on Applying Specified Procedures</u> <p><u>Addressee (Ref: par. .29b)</u></p> <p><u>X.A48</u> The appropriate addressee is mostly commonly the engaging party as opposed to anticipated users of the practitioner's specified procedures report.</p> |
| <p>c. An identification of the subject matter and the nature of a specified procedures engagement (Ref: par. X.A49-X.A52)</p> <p>d. An identification of the engaging party <u>that is responsible for the subject matter of the engagement and a statement that such party is responsible for the —and its responsibility for the sufficiency, including the nature, timing, and extent of the specified procedures</u> subject matter of the engagement</p> <p>e. A statement that the engaging party assumes the risk that the procedures may be insufficient for its purposes or that users of the practitioner's report might misunderstand or otherwise inappropriately use the findings (Ref: par. X.A50A434)</p> <p>f.e. 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>(Ref: par. X.A53-X.A54)</u></p> | <p><u>Identification of the Subject Matter and the Nature of a Specified Procedures Engagement (Ref: par. .33e29c)</u></p> <p>X.A49 A practitioner may be asked to apply specified procedures to more than one subject matter. In these engagements the practitioner may issue one practitioner's report that refers to all subject matter covered. Section 315 contains an example of language that may be used in the introductory paragraph to address such circumstances.</p> <p><u>X.A50</u> Because the practitioner is precluded from expressing an opinion or conclusion about whether the subject matter is in accordance with specified criteria, <u>in identifying the nature of the specified procedures engagement it would not be appropriate to state that the purpose of the engagement was to determine if the subject matter was performed or is stated in accordance with specified criteria or that the practitioner performed the engagement to conclude as to whether the entity complied with specified criteria.</u></p> |

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| <p>g. A statement that the engaging party is responsible for the subject matter</p> <p>h. A statement that the engaging party has not provided a written statement regarding the subject matter, if applicable</p> <p>i.f. Unless the practitioner is taking responsibility for the sufficiency of the procedures, a A statement that the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the practitioner's report has been requested or for any other purpose <u>(Ref: par. X.A2)</u></p> <p>h.g. When applicable, a description of any specified materiality limits</p> | <p><u>X.A51</u> The practitioner is not precluded from, but is not required to, include a statement regarding the objective of the specified procedures engagement in the practitioner's specified procedures report.</p> <p><u>X.A52</u> While not required, the practitioner may include a statement clarifying that the practitioner was not engaged to perform agreed-upon procedures.</p> <p><u>Limitations on Items of Interest and Needs of Users (Ref: par. .29e)</u></p> <p><u>X.A53</u> The practitioner may refer to source documents or may advise potential users as to inappropriate uses of the practitioner's specified procedures report.</p> <p><u>X.A54</u> 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:</p> <p><u>The specified procedures described in this report were not performed for the purpose of:</u></p> <ul 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> <ul style="list-style-type: none"> <u>i. Whether XYZ Company complied with federal, state or local laws or regulations or</u> <u>ii. Any other factor that would be material to the likelihood that the State will pay the winner the appropriate proceeds/winnings</u> <p><u>Risk That the Procedures May Be Insufficient For the Proposes (Ref: par. .33e27e)</u></p> |

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| | <p>X.A50 A434 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.</p> |
| <p>ih. A statement that</p> <ul style="list-style-type: none"> i. the specified procedures engagement was conducted in accordance with the 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 of the subject matter, the objective of which would be the expression of an opinion or a conclusion, respectively, on the subject matter. (Ref: par. X.A54A55) iii. the practitioner does not express such an opinion or conclusion. (Ref: par. X.A56) iv. had the practitioner performed additional procedures, other matters might have come to the practitioner's attention that would have been reported. | <p><i>Statement When the Subject Matter Consists of Elements, Accounts, or Items of a Financial Statement (Ref: par. .33i29h(ii))</i></p> <p>X.A51 A55 If the subject matter consists of elements, accounts, or items of a financial statement, the practitioner's report might instead state that the specified 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><i>Preclusion on Expression of an Opinion or Conclusion on the Subject Matter (Ref: par. .29h(iii))</i></p> <p>X.A56 The practitioner is precluded from expressing an opinion or conclusion about whether the subject matter is in accordance with [or based on] the criteria, for example, the report may state that the practitioner compared subject matter to something else but cannot 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."</p> <p><i>Statement Identifying Specific Limitations of the Engagement (Ref: par. .33j2j)</i></p> |
| <p>ji. A statement identifying specific limitations of the specified procedures engagement. (Ref: par. X.A52A4)</p> <p>kj. A list of all procedures performed (or reference thereto) and related findings (The practitioner should not provide a</p> | <p>X.A52 A4 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:</p> |

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| <p>conclusion or any recommendations in the practitioner's report). (Ref: par. X.A40)</p> <p><u>k. When applicable, a description of the nature of assistance provided by a practitioner's external specialist, as discussed in paragraph X.18.</u></p> <p><u>l. When applicable, reservations or restrictions concerning subject matter, procedures or findings (Ref: par. X.A53A57)-X.A58)</u></p> | <p>The specified procedures described in this report were not performed for the purpose of:</p> <p>a. Satisfying any criteria published by a State Lottery</p> <p>a. Concluding on the appropriateness of the procedures</p> <p>b. Making any findings with respect to:</p> <p>i. Whether XYZ Company complied with federal, state or local laws or regulations or</p> <p>i. Any other factor that would be material to the likelihood that the State will pay the winner the appropriate proceeds/winnings</p> <p>Reservations or Restrictions Concerning <u>Subject Matter, Procedures or Findings</u> (Ref: par. .33<u>29</u>)</p> <p>X.A53-A57 The practitioner also may include separate paragraph(s) about matters such as the following<u>Examples of reservations or restrictions concerning subject matter, procedures or findings may include:</u></p> <ul style="list-style-type: none"> • Disclosure of stipulated facts, assumptions, or interpretations (including the source thereof) used in the application of specified 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><u>X.A58 While not required to do so, the practitioner may want to include a statement that the practitioner did not receive a written assertion on the subject matter. For example, for an engagement to apply specified procedures in connection with a lottery drawing, the practitioner may include a statement such as "We did not obtain a written statement from</u></p> |

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| | <u>XYZ Company stating that the Lottery was conducted in accordance with its procedures.”</u> |
| <p>m. The signature of the practitioner or the practitioner’s firm (Ref: par. X.A54<u>A59</u>)</p> <p>n. The city and state where the practitioner practices (Ref: par. X.A55<u>A60</u>)</p> <p>40. <u>40.</u> The date of the practitioner’s report. — (The practitioner’s 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, and ii. if applicable, the written presentation of the subject matter has been prepared | <p><i>Signature of the Practitioner or the Practitioner’s Firm (Ref: par. .33m<u>29m</u>)</i></p> <p>X.A54<u>A59</u> The signature of the practitioner or the practitioner’s firm may be manual, printed, or digital, as appropriate.</p> <p><i>Location (Ref: par. .33n<u>29n</u>)</i></p> <p>X.A55<u>A60</u> 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.</p> <p>X.A56<u>A61</u> An illustrative practitioner’s report on specified procedures is presented in exhibit “Illustrative <u>Practitioner’s Independent Accountant’s</u> Report on Specified Procedures in Connection With a Lottery Drawing.”</p> |
| <p><u>Reporting When the Practitioner is Not Independent</u></p> <p>X.34 <u>X.34</u> 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. X.A57<u>A58</u>)</p> <p>X.35 <u>X.35</u> 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.</p> | <p><u>Reporting When the Practitioner is Not Independent</u> (Ref: par. X.34<u>34</u>)</p> <p>X.A57 <u>X.A57</u> An example of a disclosure that a practitioner may make to indicate the practitioner’s lack of independence would be</p> <p style="text-align: center;"><u>We are not independent with respect to XYZ Company.</u></p> <p>X.A58 <u>X.A58</u> 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:</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> |

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| | <ul style="list-style-type: none"> • We are not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because an individual of my immediate family (an immediate family member of one of the members of the engagement team) was employed by XYZ Company. • 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. |
| <p><u>Alert That Restricts the Use of the Practitioner’s Specified Procedures Report</u></p> <p><u>X.30</u> 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. X.A62-X.A65)</p> <p>a. <u>Measurement or 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>b. <u>Measurement or disclosure criteria that are available only to the specified parties.</u></p> | <p><u>Alert That Restricts the Use of the Practitioner’s Specified Procedures Report</u> (Ref: par. X.30)</p> <p><u>X.A62</u> 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.</p> <p><u>X.A63</u> 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.</p> <p><u>X.A64</u> 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</p> |

for the report to be misunderstood when taken out of the context in which it was intended to be used

Distribution of the Practitioner's Specified Procedures Report (Ref: par. X.30)

X.A65 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 the entity and specified parties will not distribute such practitioner's specified procedures report to parties other than those identified therein.

Illustrative Alert Language (Ref: par. X.31)

X.66 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.29:

This report is intended solely for the information and use of [list or refer to the specified parties] and is not

X.31 The alert that restricts the use of the practitioner's specified procedures report required by paragraph X.30 should

- a. state that the practitioner's specified procedures report is intended solely for the information and use of the specified parties.
- b. identify the specified parties for whom use is intended.
- 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.

(Ref: par. X.A66)

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| <p><u>Adding Other Specified Parties</u></p> <p><u>X.32</u> When, in accordance with paragraph X.30, 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. X.A67)</p> <p><u>X.33</u> If the other parties are added after the release of the practitioner's specified procedures report, the practitioner should either:</p> <p style="margin-left: 20px;"><u>a.</u> 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.</p> <p style="margin-left: 20px;"><u>b.</u> 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.</p> | <p><u>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. X.32)</p> <p><u>X.A67</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.</p> |
| <p>Knowledge of Matters Outside Specified Procedures</p> <p><u>X.36—34</u> Although the practitioner need not perform procedures beyond the specified procedures, if in connection with the application, and through the completion, of the specified procedures engagement, matters come to the practitioner's attention by other means that significantly contradict the subject matter referred to in the practitioner's report, the practitioner should include this matter in the practitioner's report. (Ref: par. X.A59-A68 - X.A60A69)</p> | <p>Knowledge of Matters Outside Specified Procedures (Ref: par. X36X34)</p> <p><u>X.A59—A68</u> For example, if, during the course of applying specified procedures regarding an entity's internal control, the practitioner becomes aware of a material weakness by means other than performance of the specified procedures, this matter would be included in the practitioner's report. However, pursuant to paragraph X.33k, the practitioner is precluded from providing any recommendations in the practitioner's report.</p> <p><u>X.A60—A69</u> When the practitioner applies specified procedures to an element, account, or item of a financial statement and has performed (or</p> |

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| <p>Alert That Restricts the Use of the Practitioner's Specified Procedures Report</p> <p>X.37 28 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. X.A61A50-X.A66A53)</p> <ul style="list-style-type: none"> 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 b. Measurement of disclosure criteria that are available only to the specified parties. | <p>has been engaged to perform) an audit or review of the entity's related financial statements, and the practitioner's audit or review report on such financial statements includes a departure from the standard report, the practitioner may include a reference to the audit or review report and the departure from the standard report in the practitioner's report on specified procedures.</p> <p>Alert That Restricts the Use of the Practitioner's Specified Procedures Report (Ref: par. X.3728)</p> <p>X.A61A50 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.</p> <p>X.A62A51 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.</p> <p>X.A63 A52 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</p> |

| Requirements | Application and Other Explanatory Material |
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| <p>X.3829 The alert that restricts the use of the practitioner's specified procedures report required by paragraph X.37 28 should</p> <ul style="list-style-type: none"> a. state that the practitioner's specified procedures report is intended solely for the information and use of the specified parties. b. identify the specified parties for whom use is intended. 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. <p>(Ref: par. X.A65A54)</p> <p><i>Adding Other Specified Parties</i></p> <p>X.3930 When, in accordance with paragraph X.3328, 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. X.A66A55)</p> <p>X.4031 If the other parties are added after the release of the practitioner's specified procedures report, the practitioner should either:</p> | <p><i>Distribution of the Practitioner's Specified Procedures Report</i> (Ref: par. X.3728)</p> <p>X.A64A53 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 the entity and specified parties will not distribute such practitioner's specified procedures report to parties other than those identified therein.</p> <p><i>Illustrative Alert Language</i> (Ref: par. X.3829)</p> <p>X.A54 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.3429:</p> <p style="padding-left: 40px;">This report is intended solely for the information and use of [list or refer to the specified parties] and is not</p> |

| Requirements | Application and Other Explanatory Material |
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| <p>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.</p> <p>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.</p> | <p style="text-align: center;">intended to be, and should not be, used by anyone other than these specified parties.</p> <p><i>Adding Other Specified Parties</i> (Ref: par. X.3930)</p> <p>X.A66A55 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.</p> |
| <p>Communication Responsibilities</p> <p>X.41-35 The practitioner should communicate to the engaging party known and suspected fraud and noncompliance with laws and regulations.</p> | |
| <p>Consideration of Subsequent Events and Subsequently Discovered Facts in a Specified Procedures Engagement</p> | <p>Consideration of Subsequent Events and Subsequently Discovered Facts in a Specified Procedures Engagement (Ref: par. X.4337)</p> |
| <p>X.42-36 In performing a specified procedures engagement, a practitioner should consider information about subsequent events that comes to his or her attention.</p> <p>X.43-37 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. X.A67A70)</p> <p>X.44-38 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</p> | <p>X.A67-A70 If, in accordance with paragraph X.2924, the practitioner elected to obtain a representation letter, the letter ordinarily would include a representation concerning subsequent events.</p> |

| Requirements | Application and Other Explanatory Material |
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| <p>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.</p> <p>Documentation</p> <p>X.45-39 The practitioner should prepare engagement documentation that is sufficient to determine</p> <ul style="list-style-type: none"> a. the nature, timing, and extent of the procedures performed to comply with relevant AT-C<u>this</u> 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; iii. who reviewed the engagement work performed and the date and extent of such review. b. the results of the procedures performed and the evidence obtained. | |

X.A68-A71

Exhibit - Illustrative Examples of the Independent Practitioner's Accountant's Report on Applying Specified Procedures

Illustration 1 – An Independent Accountant's Report on Applying Specified Procedures in Connection With a Lottery Drawing

Illustration 2 – An Independent Accountant's Report on Applying Specified Procedures in Connection With a Union Election

Practitioner's Independent Accountant's Report on Applying Specified Procedures

[Appropriate Addressee]

We have performed the procedures enumerated below related to the X drawing on MM, DD, YYYY of the [name of drawing] (the "drawing") for the State of [Insert name of State] (the 'State'). XYZ Company is responsible for conducting the ~~[name of drawing]~~ drawing for the State of ~~[Insert name of State] (the 'State')~~ in accordance with the State's lottery guidelines. ~~The sufficiency of t~~These procedures, ~~which includes including~~ the nature, timing, and extent of the procedures, ~~is solely the responsibility of XYZ Company. XYZ Company assumes the risk that these procedures may be insufficient for the Company's purposes or that users of this report may misunderstand or otherwise inappropriately use findings reported herein. Such procedures~~ may not address all of the items of interest to a user [and do not address the completeness, accuracy, or reasonableness of the source documents used in the procedures] and may not meet the needs of all users. ~~Consequently, w~~We make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

This specified procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review on the lottery drawing, the objective of which would be the expression of an opinion or conclusion, respectively, on the lottery drawing. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The specified procedures described in this report were not performed for the purpose of:

- a. Satisfying any criteria published by a State Lottery
- b. Concluding on the appropriateness of the procedures
- c. Making any findings with respect to:

- i. Whether XYZ Company complied with federal, state or local laws or regulations or
- ii. Any other factor that would be material to the likelihood that the State will pay the winner the appropriate proceeds/winnings.

XYZ Company may have the ability to circumvent controls and other risk management activities (which may also cease to do so at some point in the future, may change over time, become inadequate, or fail).

For the purpose of the procedures described in this report, XYZ Company on behalf of the State of _____, provided us with:

- a. Draw Manager's Lottery Report
- b. The Drawing procedures

The procedures and associated findings are as follows:

Phase I: Entry File Verification

On [date], we observed:

- Security was called prior to the initiation of that Draw Manager's drawings to verify that video was operational and observe the Draw Manager turning on the audio and visual buttons to record.
- The Drawing manager selected the drawing admin by....
- The Drawing Manager started the Export by...
- The Drawing Manager downloaded and unzipped the entry file by...

We compared The lottery, promotion, start and end Dates/Times in Schedule A agreed to the Draw Manager's Lottery Report

No exceptions were found as a result of this procedure.

Phase II: Drawing Activity

We observed:

- The draw Manager launch the Secure Draw System program by...
- Under the “Prize Tiers” tab, the prize tiers and alternate promotion scheme are listed per the drawing procedures.
- The Draw Manager add the mail-in entry files by...
- The Draw Manager load the template as denoted over the drawing procedures (if applicable) on the Winner Information Screen.
- The Draw Manager add the entry files by...

No exceptions were found as a result of this procedure.

Phase III: Conduct Draw

We observed the Draw Manager click on the “Start Draw” button on the “Draw” tab to commence the draw.

We observed the numbers [Insert numbers displayed] were displayed on the monitor.

No exceptions were found as a result of this procedure.

The Company is responsible for the documentation and evidence (“source documents”) that are described in the specified procedures and related findings section. We were not requested-engaged to perform and we have not performed any procedures other than those listed in the specified procedures and related findings section with respect to the preparation or verification of any of the source documents. We have no responsibility for the verification of any underlying information upon which we relied in forming our findings.

Furthermore, we undertake no responsibility to update this report for events and circumstances occurring after the date hereof. We did not obtain a written statement from XYZ Company stating that the Lottery was conducted in accordance with its procedures.

[Additional paragraph(s) may be added to describe other matters such as materiality limits.]

[Practitioner’s signature]

[Practitioner’s city and state]

[Date of practitioner’s report]

Independent Accountant's Report on Applying Specified Procedures

[Appropriate Addressee]

We have performed the procedures enumerated below related to Local X Union's Election Day Processes for its elections held on MM, DD, YYY. Local X Union is responsible for conducting the elections in accordance with the Election Guidelines for United Association Local Unions – Election Day Processes. These procedures, including the nature, timing, and extent of the procedures, may not address all of the items of interest to a user [and do not address the completeness, accuracy, or reasonableness of the source documents used in the procedures] and may not meet the needs of all users. We make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

This specified procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review on Local X Union's conduct of the elections, the objective of which would be the expression of an opinion or conclusion, respectively, on Local X Union's conduct of the elections. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Local X Union may have the ability to circumvent controls and other risk management activities (which may also cease to exist at some point in the future, may change over time, become inadequate, or fail).

For purposes of the procedures described in this report, Local X Union provided us with:

- a. Election Guidelines for United Association Local Unions – Election Day Processes

The procedures and associated findings are as follows:

Observers

On [date], we observed:

1. Each candidate had one designated observer present at the election and the counting of the ballots.
2. Local X Union verified that each observer present was a member in good standing
3. Observers were not allowed to handle ballots
4. Observers were not wearing campaign buttons, stickers, or other campaign apparel

No exceptions were found as a result of this procedure.

Challenged Ballots

On [date], we observed:

1. Three (3) ballots were challenged by Observers
2. For each ballot challenged:
 - a. Voting Member was provided a blank ballot, an envelope labeled “secret ballot envelope”, and a larger envelope labeled “challenged ballot envelope”.
 - b. An Election Official recorded on the outside of the challenged ballot envelope, the voting member’s name, membership number, reason for the challenge, name of person raising the challenge, resolution of the challenge, name of the Election Official, and the date.
 - c. Voting Member was shown to private voting area where the ballot was marked, placed in secret ballot envelope and sealed. Voting Member then placed the secret ballot envelope in the challenged ballot envelope and returned it unsealed to the Election Official.
 - d. The Election Official insured the challenged ballot envelope contained the secret ballot envelope.
 - e. The Voting Member then sealed the challenged ballot envelope and placed it in a separate ballot box maintained for challenged ballots.

No exceptions were found as a result of this procedure.

Counting the Ballots

On [date], we observed:

1. Local X Union elected to use machine counting for the election
2. After all Voting Members’ votes were cast, the Operator of the voting machine locked all the ballot machines.
3. The machines were then opened one by one and a member of the Election Committee read and recorded the tabulations while two other Election Committee members each recorded the tabulations on separate tally sheets.
4. After all tabulations were completed, the voting machine Operator locked all of the ballot machines.
5. The Election Committee then totaled the results of the tabulation sheets.
6. The Elections Committee Chairman read the results aloud.
7. The members of the Election Committee signed the tally sheets.
8. The tally sheets were locked in a safe place.

No exceptions were found as a result of this procedure.

Local X Union is responsible for the documentation and evidence (“source documents”) that are described in the specified procedures and related findings section. We were not engaged to perform and we have not performed any procedures other than those listed in the specified

procedures and related findings section with respect to the preparation or verification of any of the source documents. We have no responsibility for the verification of any underlying information upon which we relied in forming our findings.

Furthermore, we undertake no responsibility to update this report for events and circumstances occurring after the date hereof. We did not obtain a written statement from Local X Union stating that the election was conducted in accordance with Election Guidelines for United Association Local Unions, Election Day Processes.

[Independent Accountant's Signature]

[Independent Accountant's city and state]

[Date of Independent Accountant's report]