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January 26, 2024

Suzanne Wilson
General Counsel and Associate Register of Copyrights
United States Copyright Office
101 Independence Ave. SE
Washington, DC 20559-6000

VIA EMAIL

Dear Ms. Wilson,

We write to summarize the January 11, 2024 *ex parte* meeting held between the Digital Licensee Coordinator (“DLC”) and representatives of the Copyright Office (the “Office”). That meeting focused on three topics: (1) the DLC’s proposed regulatory clarifications regarding the timing of verification periods for MLC audits; and (2) the DLC’s proposal for an amended and streamlined CPA certification procedure for annual reports of usage (“AROU”); and (3) the DLC’s refreshed proposal on the MLC providing AROU response files. In attendance at the meeting were Suzy Wilson, Jason Sloan, John Riley, and Jalyce Mangum from the Office, and Kirsten Donaldson, Alli Stillman, and Sy Damle on behalf of the DLC. This letter summarizes that discussion and follows up on questions raised by the Copyright Office during the meeting.

Audit timing proposal

During the meeting, we revisited the issue of the timing of the verification period for MLC audits of digital music provider licensees, which both the DLC and MLC had surfaced to the Office in late 2022.¹ As discussed more fully in the DLC’s *ex parte* letter of November 18, 2022, and again during the January 11 meeting, the DLC shares the MLC’s wish to clarify the verification period timing for MLC audits, including with respect to adjusted reports of usage.² But we explained that, while the DLC agrees with the MLC that there is a need for regulatory clarification as to the ability of the MLC to audit adjusted statements in certain circumstances, that clarification of the

¹ MLC October 17, 2022 *Ex Parte* Letter to the U.S. Copyright Office, at <https://www.copyright.gov/rulemaking/mma-implementation/ex-parte/mechanical-licensing-collective-13.pdf>; DLC November 18, 2022 *Ex Parte* Letter to the U.S. Copyright Office, at <https://www.copyright.gov/rulemaking/mma-implementation/ex-parte/digital-licensee-coordinator-13.pdf>.

² The MLC had proposed certain regulatory language to address this, in its *ex parte* letter of October 17, 2022, but the particular regulatory amendment proposed in that letter was problematically overbroad and confusing, for the reasons explained in the DLC’s November 18 letter.

audit right should be part of an overall clarification as to what may be audited with respect to any “verification period” under the statute.

Specifically, the payments to be reviewed with respect to a “verification period” of any given calendar year should be only finalized payments amenable to being verified—*i.e.*, annual reports of usage and associated payments that reflect finalized inputs, rather than interim monthly estimates, as well as any further adjusted royalty reports subsequent to the annual reports. It is a waste of time and financial resources—of both the licensee and the MLC, whose budget is funded by the digital music providers via the administrative assessment—to audit royalty statements and payments that are known to be non-final, based on estimates, and almost certainly (or certainly) going to change pursuant to year-end adjustments in connection with the annual report of usage.³ As previously noted, auditing annual reports of usage and any adjustments thereto is consistent with the statute, which speaks in terms of years, not months,⁴ and with long-standing industry practice, in which audits apply to years, rather than months or other interim reports and payments.

Thus, the DLC proposed, in November 2022 and again during the January 11 meeting, the following regulatory amendment to 37 C.F.R. 210.27:

(o) Verification of payments by digital music provider.

1. The MLC may determine the accuracy of royalty payments for a particular verification period after the annual report of usage covering such period and any related royalty payments have been delivered to the MLC, but the MLC may not determine the accuracy of royalty payments made with monthly reports of usage for such period prior to delivery of the annual report of usage.

...

3. The MLC may determine the accuracy of royalty payments made with a report of adjustment adjusting an annual report of usage, even if it had previously determined the accuracy of such royalty payments and/or is currently determining the accuracy of such royalty payments for the same verification period covered by the annual report of usage, but such determination shall be solely limited to the adjustment being made in the adjusted annual report of usage and not any other calculations, information, or royalty calculation inputs that were not adjusted. Notwithstanding the foregoing, the MLC is not entitled to take steps to determine the accuracy of such royalty payments if (a) the adjustment is made in response to a correction or changed direction by the MLC; or (b) the MLC chose to exercise its right to determine the accuracy of the original royalty payments despite knowledge or constructive knowledge that such payments would likely require adjustment (other than to public performance royalty payment estimates) in the future.

³ Indeed, for this reason, the MLC had conceded that “it makes no sense to process any 2021 adjustments prior to the adjustments implementing the Phono III remand determination.” MLC’s October 17, 2022 *Ex Parte* Letter to the U.S. Copyright Office, at 3, <https://www.copyright.gov/rulemaking/mma-implementation/ex-parte/mechanical-licensing-collective-13.pdf>.

⁴ 17 U.S.C. 115(d)(4)(D)(i)(I).

4. Nothing in this section shall extend the authority of the MLC beyond that granted to it in 17 U.S.C. 115(d)(4)(D).

During the meeting, we discussed the interplay between the DLC's proposed regulatory amendment and the statutory restriction against audits of verification periods that are commenced more than three full calendar years preceding the date of the commencement of the audit.⁵ As discussed, the two comfortably square: the "3 full calendar years preceding the date of commencement of the audit" sweeps in the entire annual verification period that is three full years prior to the commencement of the audit. For instance, in the case of a service that has a fiscal year that ends in the last part of the calendar year, an audit of the 2023 verification period (for usage and royalties reported in the 2023 annual report of use, which is filed with the MLC in 2024) may be commenced in 2024, 2025, or 2026 (and conversely, an audit commenced in 2026 may cover the "verification periods" of 2023, 2024 and 2025).

With respect to adjustments made after the annual report of usage, the proposed regulation is also in line with the statutory 3-year limitation. For example, if a licensee theoretically needed to make an adjustment to 2023 usage and royalty reports as late as, say, 2027 (or later), that adjustment would still be within the ambit of the MLC's ability to audit, because the audit for the "2023 verification period" would already have "commenced" (in 2024, 2025, or 2026), and the MLC would not be auditing "the records" for that verification period more than once, because the adjustment would be a new record associated with that verification period, and the MLC's audit of that adjustment would be limited to the adjustment, rather than a comprehensive audit of the entire verification period all over again. The MLC, however, would not be entitled to audit adjustments made by licensees as a result of the MLC's own actions, for example, in the instance that the MLC makes a correction or change direction necessitating an adjustment, or should the MLC chose to audit a licensee despite knowledge that a future adjustment is necessary. This level of detail is necessary to create guidance and certainty for both the MLC and licensees, to ensure that the spirit of the MLC's audit right is preserved, while also protecting against overreach of that audit right.

The only circumstance in which the statutory three-year limit would preclude the MLC from auditing a new adjustment made more than three years beyond the verification period would be where the MLC had not commenced an audit of the verification period prior to that later adjustment. This is inherent in the statutory limitation, but also is a sensible practical limitation, as the audit of an adjustment more than three full calendar years after the annual report of use is not likely to make much sense without understanding the entire underlying report, and the time to have engaged in that audit will have passed.

The construct outlined herein is also consistent with the MLC's approach to audits so far. We understand that in January 2024, the MLC issued notices of intent to audit several licensees, with respect to the "verification period beginning on January 1, 2021 and ending on December 31,

⁵ 17 U.S.C. 115(d)(4)(D)(i)(I) ("The mechanical licensing collective may commence an audit of a digital music provider not more frequently than once in any 3-calendar-year period to cover a verification period of not more than the 3 full calendar years preceding the date of commencement of the audit, and such audit may not audit records for any such 3-year verification period more than once.").

2023,” or the annual verification periods of 2021, 2022, and 2023, “including payments in connection with any related adjustments.” This is consistent with the DLC’s proposed clarification, provided that the MLC’s audit does not attempt to examine the 2021 or 2022 verification periods prior to the adjusted reports of usage, reflecting the adjustments made to implement the final Phonorecords III remand determination, being filed in February 2024, or the 2023 verification period prior to the annual reports of usage (which are due by June 2024 for services with a fiscal year that aligns with the calendar year). We are not aware of any MLC intention or practical expectation of conducting these audits in contravention of these limitations.

Thus, the DLC respectfully requests that the Office adopt the proposed regulatory language set forth above and enclosed (in full) in Appendix A.

Simplification of CPA Certification

During the meeting, the DLC reiterated its request that the Office rationalize and simplify the process by which certified public accountants (“CPA”) assess and certify annual reports of usage. DLC continues to believe that the regulatory changes set forth in its *ex parte* letter of November 18, 2022 (and enclosed herein as Appendix B) are the appropriate way to do so.

As we explained during the meeting, and as discussed in our earlier *ex parte* letter, one issue that the DLC’s edits are meant to solve is that the current regulations support allowing a CPA to utilize the full array of attestation standards established by the American Institute of Certified Public Accountants (“AICPA”) while simultaneously inadvertently constraining a CPA’s ability to exercise professional judgment in its assessment of a digital music provider’s royalty payments under those same standards. In particular, the regulations provide that, in cases where the CPA determines “in its professional judgment that the volume of data attributable to a particular blanket licensee renders it impracticable” to conduct the sort of fulsome examination set forth in section 210.27(j)(2)(i) (*i.e.*, “an examination in accordance with the attestation standards as established by the American Institute of Certified Public Accountants”), the CPA may use an alternate procedure that was intended to give the CPA greater flexibility, set forth in section 210.27(j)(2)(ii).

Unfortunately, DLC members’ experience and feedback from CPAs has shown that flexibility is illusory in light of the particular language used in section 210.27(j)(2)(ii). Section 0.12 of the AICPA’s Statements on Standards for Attestation Engagements defines the four types of “attestation engagements”: assertion-based examination engagements; direct examination engagements; review engagements; and agreed-upon procedures engagements.⁶ It is clear even

⁶ **Assertion-based examination engagement.** An attestation engagement in which the practitioner obtains reasonable assurance by obtaining sufficient appropriate evidence about the responsible party’s measurement or evaluation of the underlying subject matter against criteria in order to be able to draw reasonable conclusions on which to base the practitioner’s opinion about whether the subject matter is in accordance with (or based on) the criteria or the responsible party’s assertion is fairly stated, in all material respects. (Ref: par. .A7); **Direct examination engagement.** An attestation engagement in which the practitioner obtains reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of that measurement or evaluation. In a direct examination engagement, the responsible party does not provide an assertion. (Ref: par. .A7); **Review engagement.** An attestation engagement in which the practitioner obtains limited assurance by obtaining sufficient appropriate review evidence about the responsible party’s measurement or evaluation of underlying subject matter

from the names of the various attestation standards that certain terms like “examination,” and “review” are terms of art to which a particular meaning attaches under the CPA certification standards.⁷ See 37 C.F.R. 210.27(j)(2)(ii)(A) (requiring the accountant to conduct an “examination”). Similarly, those regulations require the CPA to issue “an opinion,” which again has specific meaning.⁸ The DLC’s edits are meant to use more neutral terms (e.g., “evaluation” and “report”) that gives the accountant the necessary flexibility to choose the standard that is most appropriate in her or his professional judgment.

The Office asked whether the change in terminology requested in the DLC’s proposal will result in a less comprehensive examination. It is our understanding and belief from the CPAs with which the DLC spoke that any of the four attestation standards would suffice to meet the AROU certification objectives (provided that the text of the regulation is amended allowing a CPA to do so). To further ensure that result, however, the DLC proposal spells out with specificity the minimum criteria for CPA review in (j)(2)(iv). This amendment is intended to secure not only a thorough evaluation, but to ensure the greatest level of consistency as well, particularly since a wide range of CPAs are likely to be enlisted by services of all sizes to conduct such evaluations.

Lastly, the DLC reiterated its view that the CPA certification standards should be made more flexible overall, for services of all sizes, and its edits reflect that view. The DLC also reiterated its position that public companies that are already required to administer internal audits as part of their broader legal compliance obligations. Its understanding from conversations with experts on the auditing standards for publicly traded companies is that the public company audit involves at least the same level of examination of royalty accounting processes and controls as currently required for certifying the AROU. These services should be able to rely on such audits for purposes of section 115 compliance, if the public company’s independent accountants certify that their audit “included royalty accounting and processing systems.” This provision thus reduces wasteful duplication of effort.

DLC’s Refreshed Proposal on The MLC Providing AROU Response Files

During the meeting, the DLC thanked the Office for inquiring about its refreshed position on the MLC providing timely Annual Report of Usage (“AROU”) response files. The DLC also thanked the Office for its May 2022 Rule that establishes a timeline by which the MLC must provide AROU response files (if so requested by the digital music provider). The DLC’s request at this time is for the Office to provide prompt written notice to the MLC to activate the additional 30-

against criteria in order to express a conclusion about whether any material modification should be made to the subject matter information in order for it be in accordance with (or based on) the criteria or to the responsible party’s assertion in order for it to be fairly stated. (Ref: par. .A8); and **Agreed-upon procedures engagement**. An attestation engagement in which a practitioner performs specific procedures on underlying subject matter or subject matter information or an assertion and reports the findings without providing an opinion or a conclusion. See Appendix C at 5.

⁷ The AICPA describes several different types of attestation engagements, only two of which are termed “examinations.” See Appendix C at 5 (providing excerpt of Statements on Standards for Attestation Engagements, section 0.12 of which provides a definition of “attestation engagements.”)

⁸ See Appendix C at 4 (“An examination engagement results in an opinion, and a review engagement results in a conclusion.”)

day transition period after which the MLC would be required to comply with the AROU response file timelines in the Office’s May 2022 Rule.⁹

In the DLC’s *ex parte* letter to the Office dated March 14, 2022, the DLC noted that while the regulations allow for a mechanism by which a service can request and obtain a response file for monthly reports of usage, the regulations governing AROUs do not provide a similar mechanism.¹⁰ AROU response files are important to services that have voluntary licenses for which the MLC’s matching information is required, and more generally, to licensees of all sizes that use the blanket license for all covered activities have come to rely on the MLC to calculate the amount of royalties owed. Response files are important for AROUs in particular, and not just monthly reports of usage because the services’ internal AROU audit process may uncover errors in monthly reporting or other adjustments that need to be made. Once activated by the Office, the May 2022 Rule will allow all licensees the opportunity request an AROU response file from the MLC and receive it in a timely manner.

The Office asked whether response files from AROUs filed in 2021 and 2022 are still necessary in light of the ongoing service re-reporting currently underway due to the *Phonorecords III* remand decision. The answer is yes. AROU response files are important because they inform services that rely on a combination of the blanket mechanical license and voluntary mechanical licenses which uses fall under the blanket licenses, which uses fall under voluntary licenses, and which voluntary licensors to pay for particular uses. Royalty rates payable under voluntary licenses may or may not be affected by the *Phonorecords III* remand decision – that depends on terms of the voluntary license, which may differ from deal to deal. Either way, response files are necessary for services to comply with the terms of their voluntary licenses because they tell services which voluntary licensors to pay for which uses. Yet, because the May 2022 Rule governing the timely processing of AROU response files has not been activated, the MLC has not provided its matching results to services that have requested it for either the 2021 or 2022 AROUs, despite the MLC’s obligation to “confirm uses of musical works subject to voluntary licenses.” 17 U.S.C. 115(d)(3)(G)(i)(I)(bb).

The Office further inquired whether the DLC’s current request is a change from its prior position allowing the MLC time to implement the May 2022 Rule. In its November 18, 2022 letter, the DLC supported allowing the MLC time to establish its internal structures by which to process AROU response files.¹¹ The DLC continues to understand and share the concern that such internal structure and processing takes time to undertake, however, it is now 2024 and this issue dates back to 2022. The MLC has already been given ample time to set its internal structures in place in order to process AROU response files and the MLC has not acquiesced to the requests of services for matching information on its own initiative. Accordingly, the DLC’s only option to allow services to retrieve this necessary information is to respectfully request that the Office provide prompt written notice to the MLC to operationalize the May 2022 Rule.

⁹ 88 FR 6630, at 6631 (Feb. 1, 2023).

¹⁰ DLC *Ex Parte* Letter at 2 (Mar. 14, 2022), available at [digital-licensee-coordinator-11.pdf](https://www.copyright.gov/digital-licensee-coordinator-11.pdf) (copyright.gov).

¹¹ DLC *Ex Parte* Letter at 4 (Nov. 18, 2022), available at www.copyright.gov/rulemaking/mma-implementation/ex-parte/digital-licensee-coordinator-13.pdf.

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The fact that adjusted *Phonorecords III* reporting is about to be delivered only underscores the need for quick action to require the MLC to meet its regulatory obligations. As the DLC pointed out in its November 18, 2022 letter, it makes no sense to require digital music providers to make royalty payments at the time they serve their reports of adjustment for the *Phonorecords III* period, well before the MLC is even ready to process those adjustments and provide invoices.¹² Some services need an invoice from the MLC for internal financial control reasons, and so will be unable to pay without such an invoice. And, where services have voluntary licenses, the MLC has the obligation to “confirm uses of musical works subject to voluntary licenses . . . and the corresponding pro rata amounts to be deducted from royalties that would otherwise be due under the blanket license.” 17 U.S.C. 115(d)(3)(G)(i)(I)(bb). The failure of the MLC to have built its adjustment processing systems will create challenges for services with respect to their voluntary license partners. Thus, at a minimum, we think that the option to make royalty payments for adjustments only after receiving an invoice from the MLC should remain in place, with the understanding that such invoices would only be delivered by the MLC after it had processed the adjustments.

In conclusion, we thank you for meeting with the DLC and for your continued attention to these important issues. Once you have a chance to review our specific proposals located in Appendices A, B, and C we would be glad to schedule a follow-up *ex parte* meeting or answer any additional questions that you may have.

Sincerely,



Sy Damle
LATHAM & WATKINS

¹² DLC Ex Parte Letter at 6 (Nov. 18, 2022), available at www.copyright.gov/rulemaking/mma-implementation/ex-parte/digital-licensee-coordinator-13.pdf.

APPENDIX A: DLC Alternative Audit Proposal

(o) Verification of payments by digital music provider

- 1. The MLC may determine the accuracy of royalty payments for a particular verification period after the annual report of usage covering such period and any related royalty payments have been delivered to the MLC, but the MLC may not determine the accuracy of royalty payments made with monthly reports of usage for such period prior to delivery of the annual report of usage.*
- 2. The MLC may only make determinations that are necessary to verify the accuracy of royalty payments for a particular verification period, provided that such determinations are made efficiently; are not unreasonably disruptive to the company being evaluated; and take place at mutually agreed times during normal business hours.*
- 3. The MLC may determine the accuracy of royalty payments made with a report of adjustment adjusting an annual report of usage, even if it had previously determined the accuracy of such royalty payments and/or is currently determining the accuracy of such royalty payments for the same verification period covered by the annual report of usage, but such determination shall be solely limited to the adjustment being made in the adjusted annual report of usage and not any other calculations, information, or royalty calculation inputs that were not adjusted. Notwithstanding the foregoing, the MLC is not entitled to take steps to determine the accuracy of such royalty payments if (a) the adjustment is made in response to a correction or changed direction by the MLC; or (b) the MLC chose to exercise its right to determine the accuracy of the original royalty payments despite knowledge or constructive knowledge that such payments would likely require adjustment (other than to public performance royalty payment estimates) in the future.*
- 4. Nothing in this section shall extend the authority of the MLC beyond that granted to it in 17 U.S.C. 115(d)(4)(D).*

APPENDIX B: DLC Alternative AROU CPA Certification Proposal

37 C.F.R. § 210.27. Reports of usage and payment for blanket licensees.

* * * * *

(j) Certification of annual reports of usage.

(1) Each annual report of usage shall be accompanied by:

(i) The name of the person who is signing the annual report of usage on behalf of the blanket licensee.

(ii) A signature, which in the case of a blanket licensee that is a corporation or partnership, shall be the signature of a duly authorized officer of the corporation or of a partner.

(iii) The date of signature.

(iv) If the blanket licensee is a corporation or partnership, the title or official position held in the partnership or corporation by the person signing the annual report of usage.

(v) The following statement: I am duly authorized to sign this annual report of usage on behalf of the blanket licensee.

(vi) A certification that the blanket licensee has, for the period covered by the annual report of usage, engaged in good-faith, commercially reasonable efforts to obtain information about applicable sound recordings and musical works pursuant to 17 U.S.C. 115(d)(4)(B) and § 210.26.

(2) Each annual report of usage shall also be certified by a ~~licensed~~-certified public accountant eligible to practice in the United States (including under an international mutual recognition agreement). Such certification shall comply with the following requirements:

(i) Except as provided in paragraph (j)(2)(ii) of this section, the accountant shall certify with sufficient detail that it has verified the annual report of usage by conduct~~ing~~ed an evaluation ~~n examination~~ of the annual report of usage prepared by the blanket licensee in accordance with the attestation standards that are as-established by the American Institute of Certified Public Accountants, which may be based on the use of an agreed-upon procedure engagement, and has rendered an opinion~~its findings~~ based on such examination-evaluation that the annual report of usage conforms-is consistent with the standards in paragraph (j)(2)(iv) of this section.

(ii) If such accountant determines in its professional judgment that the volume of data attributable to a particular blanket licensee renders it impracticable to certify the

annual report of usage as required by paragraph (j)(2)(i) of this section, the accountant may instead certify the following:

(A) That the accountant has conducted an ~~examination-evaluation~~ in accordance with the attestation standards that are established ~~and updated~~ by the American Institute of Certified Public Accountants of the following assertions by the blanket licensee's management:

(1) That the processes used by or on behalf of the blanket licensee generated annual reports of usage ~~that conform~~ is consistent with the standards in paragraph (j)(2)(iv) of this section; and

(2) That the internal controls relevant to the processes used by or on behalf of the blanket licensee to generate annual reports of usage were suitably designed and operated effectively during the period covered by the annual reports of usage.

(B) That such ~~examination-evaluation~~ included examining, either on a test basis or otherwise as the accountant considered necessary under the circumstances and in its professional judgment, evidence supporting the management assertions in paragraph (j)(2)(ii)(A) of this section, and performing such other procedures as the accountant considered necessary in the circumstances.

(C) That the accountant has rendered an ~~opinion~~ report based on such ~~examination-evaluation~~ that the processes used to generate the annual report of usage generated annual reports of usage that ~~conform~~ is consistent with the standards in paragraph (j)(2)(iv) of this section, and that the internal controls relevant to the processes used to generate annual reports of usage were suitably designed and operated effectively during the period covered by the annual reports of usage.

(iii) In the event a third party or third parties acting on behalf of the blanket licensee provided services related to the annual report of usage, the accountant making a certification under either paragraph (j)(2)(i) or (ii) of this section may, as the accountant considers necessary under the circumstances and in its professional judgment, rely on a report and/or opinion rendered by a ~~licensed~~ certified public accountant in accordance with the attestation standards established by the American Institute of Certified Public Accountants that the processes and/or internal controls of the third party or third parties relevant to the generation of the blanket licensee's annual reports of usage were suitably designed and operated effectively during the period covered by the annual reports of usage, if such reliance is disclosed in the certification.

(iv) An annual report of usage conforms with the standards of this paragraph (j) if it presents fairly, in all material respects, the blanket licensee's usage of musical works in covered activities during the period covered by the annual report of usage ~~and~~ the statutory royalties applicable thereto (to the extent reported), ~~and such other data as are relevant to~~ per the calculation of statutory royalties in accordance with 17 U.S.C. 115 and applicable regulations. If an agreed-upon procedure engagement is utilized, a certified

public accountant shall, at a minimum, review a blanket licensee's: monthly reports, plans offered, number of subscribers, and any other evidence that the certified public accountant views necessary for such an evaluation; compare such documents, schedules, or analysis to verify specified attributes and/or execute a sampling application based on relevant parameters; perform mathematical calculations to verify the calculation of statutory royalties in accordance with 17 U.S.C. 115 and applicable regulations; and confirm specified information with blanket licensees.

(iv) Each certification shall be signed by an individual, or in the name of a partnership or a professional corporation with two or more shareholders. The certificate number and jurisdiction are not required if the certification is signed in the name of a partnership or a professional corporation with two or more shareholders.

(3) If the annual report of usage is delivered electronically, the blanket licensee may deliver an electronic facsimile of the original certification of the annual report of usage signed by the ~~licensed~~-certified public accountant. The blanket licensee shall retain the original certification of the annual report of usage signed by the ~~licensed~~-certified public accountant for the period identified in paragraph (m) of this section, which shall be made available to the mechanical licensing collective upon demand.

(vi) In the case of a digital music provider (or its parent) that has publicly held securities registered under Section 12 of the Securities and Exchange Act of 1934, as amended, and is subject to financial statement reporting and audit requirements, the digital music provider may, in lieu of the procedures described in paragraphs (j)(i)-(iv), submit a certification from its independent registered public accounting firm that the digital music provider's financial statement audit for its most recently completed fiscal year included royalty accounting and processing systems.

**APPENDIX C: EXCERPT FROM AICPA STATEMENTS ON STANDARDS FOR
ATTESTATION ENGAGEMENTS**

AT-C Section 100

COMMON CONCEPTS

The following is a Codification of Statements on Standards for Attestation Engagements (SSAEs) resulting from the Auditing Standards Board’s (ASB) project to clarify the SSAEs and related attestation interpretations. SSAEs are issued by senior committees of the AICPA designated to issue pronouncements on attestation matters applicable to the preparation and issuance of attestation reports for entities that are nonissuers.¹ The “Compliance With Standards Rule” (ET sec. 1.310.001) of the AICPA Code of Professional Conduct requires an AICPA member performing an attestation engagement for a nonissuer (a practitioner) to comply with standards promulgated by the ASB. A practitioner must comply with an unconditional requirement in all cases in which such requirement is relevant. A practitioner also must comply with a presumptively mandatory requirement in all cases in which such requirement is relevant; however, if, in rare circumstances, a practitioner judges it necessary to depart from a relevant presumptively mandatory requirement, the practitioner must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement.

Attestation interpretations are interpretive publications, as defined in section 105, *Concepts Common to All Attestation Engagements*. Section 105 requires the practitioner to consider applicable interpretive publications in planning and performing the attestation engagement. Interpretive publications are not attestation standards. Interpretive publications are recommendations on the application of the SSAEs in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of the relevant senior technical committee after all members of the committee have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the SSAEs. Attestation interpretations are included in AT-C sections. AICPA Guides and Attestation Statements of Position are listed in AT-C appendix A, “AICPA Guides and Statements of Position.”

¹See the definition of the term *nonissuer* in the AU-C Glossary. [Footnote added, February 2017, to better reflect the AICPA Council Resolution designating the PCAOB to promulgate technical standards.]

AT-C Section 105

Concepts Common to All Attestation Engagements

Source: SSAE No. 18; SSAE No. 19; SSAE No. 21.

See section 9105 for interpretations of this section.

Effective for practitioners' reports dated on or after May 1, 2017, unless otherwise indicated.



Note

In June 2022, the Auditing Standards Board issued Statement on Auditing Standards No. 146, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*, which contains amendments to this section.

The amendments are effective for engagements conducted in accordance with generally accepted auditing standards for periods beginning on or after December 15, 2025, and can be viewed in the appendix of AU-C section 220 until the effective date, when they will be applied to this section.

Introduction

.01 This section applies to engagements in which a CPA in the practice of public accounting is engaged to issue, or does issue, a practitioner's

- assertion-based examination report in accordance with section 205, *Assertion-Based Examination Engagements*,
- direct examination report in accordance with section 206, *Direct Examination Engagements*,
- review report in accordance with section 210, *Review Engagements*, or
- agreed-upon procedures report in accordance with section 215, *Agreed-Upon Procedures Engagements*.

In this section, when the term *examination* is used, it is inclusive of both assertion-based and direct examination engagements.

In all attestation engagements, the underlying subject matter is the responsibility of a party other than the practitioner. (Ref: par. .A1) [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Examination and Review Engagements

.02 Examination and review engagements include the following:

- a. Assertion-based examination engagements, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria and provides an assertion about the outcome of the measurement or evaluation, and the practitioner expresses an opinion in a written report about whether the underlying subject matter is in accordance with (or based on) the criteria, in all material respects, or the responsible party's assertion is fairly stated, in all material respects.
- b. Direct examination engagements, in which the practitioner measures or evaluates the underlying subject matter against the criteria and performs other procedures to obtain sufficient appropriate evidence to express an opinion in a written report that conveys the results of that measurement or evaluation. The responsible party does not provide an assertion about the results of the measurement or evaluation of the underlying subject matter against the criteria.
- c. Review engagements, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria and provides an assertion about the outcome of the measurement or evaluation, and the practitioner expresses a conclusion in a written report about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the responsible party's assertion in order for it to be fairly stated.

[Paragraph added, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.03 The practitioner's objective in both an assertion-based examination engagement and a direct examination engagement is to obtain reasonable assurance. Section 205 contains requirements and application material for assertion-based examination engagements. Section 206 contains requirements and application material for direct examination engagements. [Paragraph added, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.04 An assertion-based examination engagement and a review engagement are predicated on the concept that a party other than the practitioner makes an assertion about whether the underlying subject matter is measured or evaluated in accordance with suitable criteria. Section 205 and section 210 require the practitioner to request such an assertion in writing when performing an assertion-based examination engagement or a review engagement.¹ In assertion-based examination engagements and review engagements, when the engaging party is the responsible party, the responsible party's refusal to provide a written assertion

requires the practitioner to withdraw from the engagement when withdrawal is possible under applicable laws and regulations.² In assertion-based examination engagements and review engagements, when the engaging party is not the responsible party and the responsible party refuses to provide a written assertion, the practitioner need not withdraw from the engagement but is required to disclose that refusal in the practitioner's report and restrict the use of the report to the engaging party.^{3,4} The purpose of an examination or review engagement is to provide users of information with an opinion or conclusion regarding the underlying subject matter, as measured or evaluated against suitable and available criteria. An examination engagement results in an opinion, and a review engagement results in a conclusion. The purpose of an agreed-upon procedures engagement is to provide users of information with the results of procedures performed by the practitioner on underlying subject matter or subject matter information. An agreed-upon procedures engagement results in findings. [As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.05 This section is not applicable to professional services for which the AICPA has established other professional standards, for example, services performed in accordance with (Ref: par. .A2)

- a. Statements on Auditing Standards,
- b. Statements on Standards for Accounting and Review Services
- c. Statements on Standards for Tax Services, or
- d. Statements on Standards for Consulting Services, including litigation services that involve pending or potential legal or regulatory proceedings before a trier of fact. (Ref: par. .A3)

[As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.06 An attestation engagement may be part of a larger engagement, for example, a feasibility study or business acquisition study that also includes an examination of prospective financial information. In such circumstances, the attestation standards apply only to the attestation portion of the engagement. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

¹Paragraph .10 of section 205, *Assertion-Based Examination Engagements*, and paragraph .11 of section 210, *Review Engagements*. [As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

²Paragraph .84 of section 205 and paragraph .59 of section 210.

³Paragraph .86 of section 205 and paragraph .60 of section 210.

⁴[Footnote deleted by the issuance of SSAE No. 19, December 2019.]

Compliance With the Attestation Standards

.07 The "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA Code of Professional Conduct requires members who perform professional services to comply with standards promulgated by bodies designated by the Council of the AICPA. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Relationship of Attestation Standards to Quality Control Standards

.08 Quality control systems, policies, and procedures are the responsibility of the firm in conducting its attestation practice. Under QM section 10A, *A Firm's System of Quality Control*, the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that⁵ (Ref: par. .A4–.A6)

- a. the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and
- b. practitioners' reports issued by the firm are appropriate in the circumstances.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.09 Attestation standards relate to the conduct of individual attestation engagements; quality control standards relate to the conduct of a firm's attestation practice as a whole. Thus, attestation standards and quality control standards are related, and the quality control policies and procedures that a firm adopts may affect both the conduct of individual attestation engagements and the conduct of a firm's attestation practice as a whole. However, deficiencies in or instances of noncompliance with a firm's quality control policies and procedures do not, in and of themselves, indicate that a particular engagement was not performed in accordance with the attestation standards. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Effective Date

.10 This section is effective for practitioners' reports dated on or after May 1, 2017. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Objectives

.11 In conducting an attestation engagement, the overall objectives of the practitioner are as follows:

- a. Apply the requirements relevant to the attestation engagement
- b. Report on the underlying subject matter or subject matter information (or assertion) and communicate as required by the applicable AT-C section, in accordance with the results of the practitioner's procedures

⁵Paragraph .12 of QM section 10A, *A Firm's System of Quality Control*.

- c. Implement quality control procedures at the engagement level that provide the practitioner with reasonable assurance that the attestation engagement complies with professional standards and applicable legal and regulatory requirements

[As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Definitions

.12 For purposes of the attestation standards, the following terms have the meanings attributed as follows:

Assertion. Any declaration or set of declarations about whether the underlying subject matter or subject matter information is in accordance with (or based on) the criteria. An assertion is subject matter information.

Attestation engagement. An engagement performed under the attestation standards. The following are the four types of attestation engagements:

- a. **Assertion-based examination engagement.** An attestation engagement in which the practitioner obtains reasonable assurance by obtaining sufficient appropriate evidence about the responsible party's measurement or evaluation of the underlying subject matter against criteria in order to be able to draw reasonable conclusions on which to base the practitioner's opinion about whether the subject matter is in accordance with (or based on) the criteria or the responsible party's assertion is fairly stated, in all material respects. (Ref: par. .A7)
- b. **Direct examination engagement.** An attestation engagement in which the practitioner obtains reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of that measurement or evaluation. In a direct examination engagement, the responsible party does not provide an assertion. (Ref: par. .A7)
- c. **Review engagement.** An attestation engagement in which the practitioner obtains limited assurance by obtaining sufficient appropriate review evidence about the responsible party's measurement or evaluation of underlying subject matter against criteria in order to express a conclusion about whether any material modification should be made to the subject matter information in order for it be in accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated. (Ref: par. .A8)
- d. **Agreed-upon procedures engagement.** An attestation engagement in which a practitioner performs specific procedures on underlying subject matter or subject matter information or an assertion and reports the findings without providing an opinion or a conclusion.

Attestation risk. In an examination or review engagement, the risk that the practitioner expresses an inappropriate opinion or conclusion, as applicable, when the subject matter information (or assertion) is materially misstated. (Ref: par. .A9–.A15)

Criteria. The benchmarks used to measure or evaluate the underlying subject matter. (Ref: par. .A16)

Documentation completion date. The date on which the practitioner has assembled for retention a complete and final set of documentation in the engagement file.

Engagement circumstances. The broad context defining the particular engagement, which includes the terms of the engagement; whether it is an examination, review, or agreed-upon procedures engagement; the characteristics of the underlying subject matter; the criteria; the information needs of the intended users; relevant characteristics of the responsible party and, if different, the engaging party and their environment; and other matters, for example, events, transactions, conditions and practices, and relevant laws and regulations, that may have a significant effect on the engagement.

Engagement documentation. The record of procedures performed, relevant evidence obtained, and, in an examination or review engagement, conclusions reached by the practitioner, or in an agreed-upon procedures engagement, findings of the practitioner. (Terms such as *working papers* or *workpapers* are also sometimes used).

Engagement partner. The partner or other person in the firm who is responsible for the attestation engagement and its performance and for the practitioner's report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body. *Engagement partner*, *partner*, and *firm* refer to their governmental equivalents when relevant.

Engagement team. All partners and staff performing the engagement and any individuals engaged by the firm or a network firm who perform attestation procedures on the engagement. This excludes a practitioner's external specialist and engagement quality control reviewer engaged by the firm or a network firm. The term *engagement team* also excludes individuals within the client's internal audit function who provide direct assistance.

Engaging party. The party that engages the practitioner to perform the attestation engagement. (Ref: par. .A17)

Evidence. Information used by the practitioner in arriving at the opinion, conclusion, or findings on which the practitioner's report is based.

Firm. A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA and that is engaged in the practice of public accounting.

Fraud. An intentional act involving the use of deception that results in a misstatement in the subject matter or the assertion.

General use. Use of a practitioner’s report that is not restricted to specified parties.

Internal audit function. A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity’s governance, risk management, and internal control processes.

Interpretative publications. Interpretations of the Statements on Standards for Attestation Engagements (SSAEs), exhibits to SSAEs, guidance on attestation engagements included in AICPA Audit and Accounting Guides, and AICPA attestation Statements of Position, to the extent that those statements are applicable to such engagements.

Misstatement. A difference between the measurement or evaluation of the underlying subject matter and the appropriate measurement or evaluation of the underlying subject matter in accordance with (or based on) the criteria. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions. In certain engagements, a misstatement may be referred to as a *deviation*, *exception*, or *instance of noncompliance*.

Network firm. A firm or other entity that belongs to a network, as defined in ET section 0.400, *Definitions*.

Noncompliance with laws or regulations. Acts of omission or commission by the entity, either intentional or unintentional, that are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. *Noncompliance* does not include personal misconduct (unrelated to the underlying subject matter or subject matter information) by those charged with governance, management, or employees of the entity.

Other attestation publications. Publications other than interpretive publications. These include AICPA attestation publications not defined as interpretive publications; attestation articles in the *Journal of Accountancy* and other professional journals; continuing professional education programs and other instructional materials, textbooks, guidebooks, attestation programs, and checklists; and other attestation publications from state CPA societies, other organizations, and individuals.

Other practitioner. An independent practitioner who is not a member of the engagement team who performs work on information that will be used as evidence by the practitioner performing the attestation engagement. An other practitioner may be part of the practitioner’s firm, a network firm, or another firm.

Practitioner. The person or persons conducting the attestation engagement, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. When an AT-C section expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term *engagement partner*, rather than *practitioner*, is used. *Engagement partner* and *firm* are to be read as referring to their governmental equivalents when relevant.

Practitioner’s specialist. An individual or organization possessing expertise in a field other than accounting or attestation, whose work in that field is used by the practitioner to assist the practitioner in obtaining evidence for the service being provided. A practitioner’s

specialist may be either a practitioner’s internal specialist (who is a partner or staff, including temporary staff, of the practitioner’s firm or a network firm) or a practitioner’s external specialist. *Partner* and *firm* refer to their governmental equivalents when relevant.

Professional judgment. The application of relevant training, knowledge, and experience, within the context provided by attestation and ethical standards in making informed decisions about the courses of action that are appropriate in the circumstances of the attestation engagement.

Professional skepticism. An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of evidence.

Reasonable assurance. A high, but not absolute, level of assurance.

Report release date. The date on which the practitioner grants the engaging party permission to use the practitioner’s report.

Responsible party. The party responsible for the underlying subject matter, which is a party other than the practitioner. In an assertion-based examination or review engagement, if the nature of the underlying subject matter is such that no such party exists, a party who has a reasonable basis for making a written assertion about the underlying subject matter may be deemed to be the responsible party.

Specified party. The intended user(s) to whom use of the written practitioner’s report is limited.

Subject matter information. The outcome of the measurement or evaluation of the underlying subject matter against criteria. An assertion about whether the underlying subject matter is in accordance with the criteria is a form of subject matter information.

Underlying subject matter.^a In an examination or review engagement, the phenomenon that is measured or evaluated by applying criteria. In an agreed-upon procedures engagement, the phenomenon upon which procedures are performed.

[As amended, effective for practitioners’ reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered and amended, effective for practitioners’ reports dated on or after June 15, 2022, by SSAE No. 21.]

.13 For the purposes of the attestation standards, references to appropriate party should be read hereafter as the responsible party or the engaging party, as appropriate. (Ref: par. .A18) [Paragraph renumbered and amended, effective for practitioners’ reports dated on or after June 15, 2022, by SSAE No. 21.]

^aPrior to the issuance of SSAE No. 21, “the phenomenon that is measured or evaluated by applying criteria” was the definition of *subject matter*. [Footnote added, effective for practitioners’ reports dated on or after June 15, 2022, by SSAE No. 21.]

Requirements

Conduct of an Attestation Engagement in Accordance With the Attestation Standards

Complying With AT-C Sections That Are Relevant to the Engagement

.14 When performing an attestation engagement, the practitioner should comply with

- this section;
- sections 205, 206, 210, or 215, as applicable; and
- any subject-matter AT-C section relevant to the engagement when the AT-C section is in effect and the circumstances addressed by the AT-C section exist.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.15 The practitioner should not represent compliance with this or any other AT-C section unless the practitioner has complied with the requirements of this section and all other AT-C sections relevant to the engagement. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.16 Reports issued by a practitioner in connection with services performed under other professional standards should be written to be clearly distinguishable from and not confused with reports issued under the attestation standards. (Ref: par. .A19–.A20) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Text of an AT-C Section

.17 The practitioner should have an understanding of the entire text of each AT-C section that is relevant to the engagement being performed, including its application and other explanatory material, to understand its objectives and apply its requirements properly. (Ref: par. .A21–.A26) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Complying With Relevant Requirements

.18 Subject to paragraph .22, the practitioner should comply with each requirement of the AT-C sections that is relevant to the engagement being performed, including any relevant subject-matter AT-C section, unless, in the circumstances of the engagement,

- a. the entire AT-C section is not relevant, or
- b. the requirement is not relevant because it is conditional, and the condition does not exist.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.19 When a practitioner undertakes an attestation engagement for the benefit of a government body or agency and agrees to follow specified government standards, guides, procedures, statutes, rules, and regulations, the practitioner should comply with those governmental requirements as well as the applicable AT-C sections. (Ref: par. .A27) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Practitioner's Report Prescribed by Law or Regulation

.20 If the practitioner is required by law or regulation to use a specific layout, form, or wording of the practitioner's report and the prescribed form of report is not acceptable or would cause a practitioner to make a statement that the practitioner has no basis to make, the practitioner should reword the prescribed form of report or attach an appropriately worded separate practitioner's report. (Ref: par. .A28) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Defining Professional Requirements in the Attestation Standards

.21 The attestation standards use the following two categories of professional requirements, identified by specific terms, to describe the degree of responsibility it imposes on practitioners:

- *Unconditional requirements.* The practitioner must comply with an unconditional requirement in all cases in which such requirement is relevant. The attestation standards use the word *must* to indicate an unconditional requirement.
- *Presumptively mandatory requirements.* The practitioner must comply with a presumptively mandatory requirement in all cases in which such a requirement is relevant, except in rare circumstances discussed in paragraph .22. The attestation standards use the word *should* to indicate a presumptively mandatory requirement.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Departure From a Relevant Requirement

.22 In rare circumstances, the practitioner may judge it necessary to depart from a relevant presumptively mandatory requirement. In such circumstances, the practitioner should perform alternative procedures to achieve the intent of that requirement. The need for the practitioner to depart from a relevant, presumptively mandatory requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the intent of the requirement. (Ref: par. .A29) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Interpretive Publications

.23 The practitioner should consider applicable interpretive publications in planning and performing the attestation engagement. (Ref: par. .A30) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Other Attestation Publications

.24 In applying the attestation guidance included in an other attestation publication, the practitioner should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the attestation engagement. (Ref: par. .A31–.A33) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Acceptance and Continuance

.25 The engagement partner should be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and attestation engagements have been followed and should determine that conclusions reached in this regard are appropriate. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Preconditions for an Attestation Engagement

.26 The 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. (Ref: par. .A34) [Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.27 In order to establish that the preconditions for an attestation engagement are present, the practitioner should, on the basis of a preliminary knowledge of the engagement circumstances and discussion with the appropriate party, determine the following:

- a. Whether the responsible party is a party other than the practitioner and takes responsibility for the underlying subject matter. (Ref: par. .A35–.A37)
- b. Whether the engagement exhibits all of the following characteristics:
 - i. The underlying subject matter is appropriate. (Ref: par. .A38–.A43)
 - ii. In an examination or review engagement, the criteria to be applied in the preparation and evaluation of the underlying subject matter are suitable and will be available to the intended users. (Ref: par. .A44–.A54)
 - iii. The practitioner expects to be able to obtain the evidence needed to arrive at the practitioner's opinion, conclusion, or findings, including (Ref: par. .A55–.A56)
 1. access to all information of which the appropriate party is aware that is relevant to the engagement;
 2. access to additional information that the practitioner may request from the appropriate party for the purpose of the engagement; and
 3. unrestricted access to persons within the appropriate party from whom the practitioner determines it necessary to obtain evidence.

- iv. The practitioner's opinion, conclusion, or findings, in the form appropriate to the engagement, is to be contained in a written practitioner's report.

[As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.28 If the preconditions in paragraphs .26–.27 are not present, the practitioner should discuss the matter with the engaging party to attempt to resolve the issue. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.29 The practitioner should accept an attestation engagement only when the practitioner

- a. has no reason to believe that relevant ethical requirements, including independence, will not be satisfied;
- b. is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph .34);
- c. has determined that the engagement to be performed meets all the preconditions for an attestation engagement (see also paragraphs .26–.27); and
- d. has reached a common understanding with the engaging party of the terms of the engagement, including the practitioner's reporting responsibilities.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.30 If it is discovered after the engagement has been accepted that one or more of the preconditions for an attestation engagement is not present, the practitioner should discuss the matter with the appropriate party and should determine

- a. whether the matter can be resolved;
- b. whether it is appropriate to continue with the engagement; and
- c. if the matter cannot be resolved but it is still appropriate to continue with the engagement, whether to communicate the matter in the practitioner's report, and if the matter is to be communicated in the practitioner's report, how to do so.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Acceptance of a Change in the Terms of the Engagement

.31 The practitioner should not agree to a change in the terms of the engagement when no reasonable justification for doing so exists. If a change in the terms of the engagement is made, the practitioner should not disregard evidence that was obtained prior to the change. (Ref: par. .A57–.A58) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.32 If the practitioner concludes, based on the practitioner’s professional judgment, that there is reasonable justification to change the terms of the engagement from the original level of service that the practitioner was engaged to perform to a lower level of service, for example, from an examination to a review, and if the practitioner complies with the AT-C sections applicable to the lower level of service, the practitioner should issue an appropriate practitioner’s report on the lower level of service. The report should not include reference to (a) the original engagement, (b) any procedures that may have been performed, or (c) scope limitations that resulted in the changed engagement. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Using the Work of an Other Practitioner

.33 When the practitioner expects to use the work of an other practitioner, the practitioner should (Ref: par. .A59–.A60)

- a. obtain an understanding of whether the other practitioner understands and will comply with the ethical requirements that are relevant to the engagement and, in particular, is independent.
- b. obtain an understanding of the other practitioner’s professional competence.
- c. communicate clearly with the other practitioner about the scope and timing of the other practitioner’s work and findings.
- d. if assuming responsibility for the work of the other practitioner, be involved in the work of the other practitioner.
- e. evaluate whether the other practitioner’s work is adequate for the practitioner’s purposes.
- f. determine whether to make reference to the other practitioner in the practitioner’s report.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Quality Control

Assignment of the Engagement Team and the Practitioner’s Specialists

.34 The engagement partner should be satisfied that

- a. the engagement team, and any practitioner’s external specialists, collectively, have the appropriate competence, including knowledge of the underlying subject matter and criteria, and capabilities to (Ref: par. .A61–.A62)
 - i. perform the engagement in accordance with professional standards and applicable legal and regulatory requirements and
 - ii. enable the issuance of a practitioner’s report that is appropriate in the circumstances.

- b. to an extent that is sufficient to accept responsibility for the opinion, conclusion, or findings on the underlying subject matter or subject matter information (or assertion), the engagement team will be able to be involved in the work of
 - i. a practitioner’s external specialist when the work of that specialist is to be used and (Ref: par. .A63)
 - ii. an other practitioner, when the work of that practitioner is to be used.
- c. those involved in the engagement have been informed of their responsibilities, including the objectives of the procedures they are to perform and matters that may affect the nature, timing, and extent of such procedures.
- d. engagement team members have been directed to bring to the engagement partner’s attention significant questions raised during the engagement so that their significance may be assessed.

[Paragraph renumbered and amended, effective for practitioners’ reports dated on or after June 15, 2022, by SSAE No. 21.]

Leadership Responsibilities for Quality in Attestation Engagements

.35 The engagement partner should take responsibility for the overall quality on each attestation engagement. This includes responsibility for the following:

- a. Appropriate procedures being performed regarding the acceptance and continuance of client relationships and engagements
- b. The engagement being planned and performed (including appropriate direction and supervision) to comply with professional standards and applicable legal and regulatory requirements
- c. Reviews being performed in accordance with the firm’s review policies and procedures and reviewing the engagement documentation on or before the date of the practitioner’s report (Ref: par. .A64)
- d. Appropriate engagement documentation being maintained to provide evidence of achievement of the practitioner’s objectives and that the engagement was performed in accordance with the attestation standards and relevant legal and regulatory requirements
- e. Appropriate consultation being undertaken by the engagement team on difficult or contentious matters

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.36 Throughout the engagement, the engagement partner should remain alert, through observation and making inquiries as necessary, for evidence of noncompliance with relevant ethical requirements by members of the engagement team. If matters come to the engagement partner’s attention through the firm’s system of quality control or otherwise that indicate that members of the engagement team have not complied with relevant ethical

requirements, the engagement partner, in consultation with others in the firm, should determine the appropriate action. [Paragraph added, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Engagement Documentation

.37 The practitioner should prepare engagement documentation on a timely basis. (Ref: par. .A65) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.38 The practitioner should assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file no later than 60 days following the practitioner's report release date. (Ref: par. .A66) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.39 After the documentation completion date, the practitioner should not delete or discard documentation of any nature before the end of its retention period. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.40 If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the documentation completion date, the practitioner should, regardless of the nature of the amendments or additions, document

- a. the specific reasons for making the amendments or additions and
- b. when, and by whom, they were made and reviewed.

[Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.41 Engagement documentation is the property of the practitioner, and some jurisdictions recognize this right of ownership in their statutes. The practitioner should adopt reasonable procedures to retain engagement documentation for a period of time sufficient to meet the needs of the practitioner and to satisfy any applicable legal or regulatory requirements for records retention. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.42 Because engagement documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.43 The practitioner also should adopt reasonable procedures to prevent unauthorized access to engagement documentation. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

.44 If, in rare circumstances, the practitioner judges it necessary to depart from a relevant, presumptively mandatory requirement, the practitioner must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement. (See paragraph .22.) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Engagement Quality Control Review

- .45** For those engagements, if any, for which the firm has determined that an engagement quality control review is required (Ref: par. .A67)
- a. the engagement partner should take responsibility for discussing with the engagement quality control reviewer significant findings or issues arising during the engagement, including those identified during the engagement quality control review, and should not release the practitioner’s report until completion of the engagement quality control review and
 - b. the engagement quality control reviewer should perform an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. This evaluation should include the following:
 - i. Discussion of significant findings or issues with the engagement partner
 - ii. Reading the written subject matter information (or assertion) and the proposed report
 - iii. Reading selected engagement documentation relating to the significant judgments the engagement team made and the related conclusions it reached
 - iv. Evaluation of the decisions reached in formulating the report and consideration of whether the proposed report is appropriate

[Paragraph renumbered and amended, effective for practitioners’ reports dated on or after June 15, 2022, by SSAE No. 21.]

Professional Skepticism and Professional Judgment

Professional Skepticism

.46 The practitioner should maintain professional skepticism while planning and performing an attestation engagement. (Ref: par. .A68–.A70) [Paragraph renumbered and amended, effective for practitioners’ reports dated on or after June 15, 2022, by SSAE No. 21.]

.47 Unless the practitioner has reason to believe the contrary, the practitioner may accept records and documents as genuine. If conditions identified during the attestation engagement cause the practitioner to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the practitioner, the practitioner should investigate further. [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Professional Judgment

.48 The practitioner should exercise professional judgment in planning and performing an attestation engagement. (Ref: par. .A71–.A76) [Paragraph renumbered by the issuance of SSAE No. 21, October 2020.]

Application and Other Explanatory Material

Introduction (Ref: par. .01 and .05)

.A1 An attestation engagement may address a variety of conditions or events, including the following:

- a. Historical or prospective performance or condition, for example, historical or prospective financial information, performance measurements, and backlog data
- b. Physical characteristics, for example, narrative descriptions or square footage of facilities
- c. Historical events, for example, the price of a market basket of goods on a certain date
- d. Analyses, for example, break-even analyses
- e. Systems and processes, for example, internal control
- f. Behavior, for example, corporate governance, compliance with laws and regulations, and human resource practices
- g. Environmental, social, and governance information, for example, greenhouse gas emissions or diversity in employment

The measurement or evaluation of such conditions or events may be as of a point in time or for a period of time. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A2 Because performance audits performed pursuant to *Government Auditing Standards* do not require a practitioner's examination, review, or agreed-upon procedures report as described in this section, this section does not apply to performance audits unless the practitioner engaged to conduct a performance audit is also engaged to conduct an AICPA attestation engagement or issues such an examination, review, or agreed-upon procedures report. [Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted.]

.A3 Examples of litigation services include the following circumstances:

- a. The service comprises being an expert witness.
- b. The service comprises being a trier of fact or acting on behalf of one.
- c. The practitioner's work under the rules of the proceedings is subject to detailed analysis and challenge by each party to the dispute.
- d. The practitioner is engaged by an attorney to do work that will be protected by the attorney's work product or attorney-client privilege, and such work is not intended to be used for other purposes.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted.]

Relationship of Attestation Standards to Quality Control Standards (Ref: par. .08)

.A4 The nature and extent of a firm's quality control policies and procedures depend on factors such as its size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations.

.A5 Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures that are applicable to the attestation engagement and provide the firm with relevant information to enable the functioning of that part of the firm's quality control relating to independence.

.A6 Engagement teams are entitled to rely on the firm's system of quality control, unless the engagement partner determines that it is inappropriate to do so based on information provided by the firm or other parties.

Definitions

Assertion-Based and Direct Examination Engagements (Ref: par. .12)

.A7 The practitioner obtains the same level of assurance in an assertion-based and direct examination engagement as the practitioner does in a financial statement audit. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Review Engagement (Ref: par. .12)

.A8 The practitioner obtains the same level of assurance in a review engagement as the practitioner does in a review of financial statements.

Attestation Risk (Ref: par. .12)

.A9 Attestation risk does not refer to the practitioner's business risks, such as loss from litigation, adverse publicity, or other events arising in connection with the underlying subject matter or subject matter information (or assertion) reported on. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A10 In general, attestation risk can be represented by the following components, although not all of these components will necessarily be present or significant for all engagements:

- a. Risks that the practitioner does not directly influence, which consist of
 - i. the susceptibility of the subject matter information to a material misstatement before consideration of any related controls (inherent risk) and

- ii. the risk that a material misstatement that could occur in the subject matter information will not be prevented, or detected and corrected, on a timely basis by the appropriate party's internal control (control risk)
- b. Risk that the practitioner does directly influence, which consists of the risk that the procedures to be performed by the practitioner will not detect a material misstatement (detection risk)

[As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A11 The degree to which each of these components of attestation risk is relevant to the engagement is affected by the engagement circumstances, in particular

- the nature of the underlying subject matter or subject matter information. (For example, the concept of control risk may be more useful when the underlying subject matter or subject matter information relates to the preparation of information about an entity's performance than when it relates to information about the existence of a physical condition.)
- the type of engagement being performed. (For example, in a review engagement, the practitioner may often decide to obtain evidence by means other than tests of controls, in which case, consideration of control risk may be less relevant than in an examination engagement on the same subject matter information [or assertion].)

[As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A12 The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.

.A13 In an examination engagement, the practitioner reduces attestation risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's opinion. Reducing attestation risk to zero is not contemplated in an examination engagement and, therefore, reasonable assurance is less than absolute assurance as a result of factors such as the following:

- The use of selective testing
- The inherent limitations of internal control
- The fact that much of the evidence available to the practitioner is persuasive, rather than conclusive
- The exercise of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence
- In some cases, the characteristics of the underlying subject matter when evaluated or measured against the criteria

[As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A14 In a review engagement, attestation risk is greater than it is in an examination engagement. Because the practitioner obtains limited assurance in a review engagement, the types of procedures performed are less extensive than they are in an examination engagement and generally are limited to inquiries and analytical procedures.

.A15 Attestation risk is not applicable to an agreed-upon procedures engagement because in such engagements, the practitioner performs specific procedures on underlying subject matter or subject matter information and reports the findings without providing an opinion or conclusion. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Criteria (Ref: par. .12)

.A16 Suitable criteria are required for reasonably consistent measurement or evaluation of underlying subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. The suitability of criteria is context-sensitive, that is, it is determined in the context of the engagement circumstances. Even for the same underlying subject matter, there can be different criteria, which will yield a different measurement or evaluation. For example, one responsible party might select the number of customer complaints resolved to the acknowledged satisfaction of the customer for the underlying subject matter of customer satisfaction; another responsible party might select the number of repeat purchases in the three months following the initial purchase. The suitability of criteria is not affected by the level of assurance, that is, if criteria are unsuitable for an examination engagement, they are also unsuitable for a review engagement and vice versa. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Engaging Party (Ref: par. .12)

.A17 The engaging party, depending on the circumstances, may be management or those charged with governance of the responsible party, a governmental body or agency, the intended users, or another third party.

Appropriate Party(ies) (Ref: par. .13)

.A18 Management and governance structures vary by entity, reflecting influences such as size and ownership characteristics. Such diversity means that it is not possible for the attestation standards to specify for all engagements the person(s) with whom the practitioner is to interact regarding particular matters. For example, an entity may be a segment of an organization and not a separate legal entity. In such cases, identifying the appropriate management personnel or those charged with governance with whom to communicate may require the exercise of professional judgment.

Conduct of an Attestation Engagement in Accordance With the Attestation Standards

Complying With AT-C Sections That Are Relevant to the Engagement (Ref: par. .16)

.A19 A practitioner's report that merely excludes the phrase "was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants" but is otherwise similar to a practitioner's examination, review, or agreed-upon procedures attestation report is an example of a practitioner's report that is not clearly distinguishable from, and could be confused with, a report issued under the attestation standards.

.A20 Paragraph .16 does not prohibit combining reports issued by a practitioner under the attestation standards with reports issued under other professional standards.

Text of an AT-C Section (Ref: par. .17)

.A21 The AT-C sections contain the objectives of the practitioner and requirements designed to enable the practitioner to meet those objectives. In addition, they contain related guidance in the form of application and other explanatory material, introductory material that provides context relevant to a proper understanding of the section, and definitions.

.A22 Introductory material may include, as needed, such matters as an explanation of the following:

- The purpose and scope of the AT-C section, including how the AT-C section relates to other AT-C sections
- The subject matter of the AT-C section
- The respective responsibilities of the practitioner and others regarding the subject matter of the AT-C section
- The context in which the AT-C section is set

.A23 The application and other explanatory material provides further explanation of the requirements of an AT-C section and guidance for carrying them out. In particular, it may

- a. explain more precisely what a requirement means or is intended to cover and
- b. include examples of procedures that may be appropriate in the circumstances.

Although such guidance does not, in itself, impose a requirement, it may explain the proper application of the requirements of an AT-C section. The application and other explanatory material may also provide background information on matters addressed in an AT-C section. They do not, however, limit or reduce the responsibility of the practitioner to apply and comply with the requirements in applicable AT-C sections.

.A24 The practitioner is required by paragraph .17 to understand the application and other explanatory material. How the practitioner applies the guidance in the engagement depends

on the exercise of professional judgment in the circumstances consistent with the objective of the section. The words *may*, *might*, and *could* are used to describe these actions and procedures.

.A25 An AT-C section may include, in a separate section under the heading "Definition(s)," a description of the meanings attributed to certain terms for purposes of the AT-C section. These are provided to assist in the consistent application and interpretation of the AT-C section and are not intended to override definitions that may be established for other purposes, whether in law, regulation, or otherwise. Unless otherwise indicated, those terms will carry the same meanings in all AT-C sections.

.A26 Appendixes form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related AT-C section or within the title and introduction of the appendix itself.

Complying With Relevant Requirements (Ref: par. .19)

.A27 In certain attestation engagements, the practitioner may also be required to comply with other requirements, such as in law or regulation, in addition to the attestation standards. The attestation standards do not override law or regulation that governs the attestation engagement. In the event that such law or regulation differs from attestation standards, an attestation engagement conducted only in accordance with law or regulation will not necessarily comply with the attestation standards. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Practitioner's Report Prescribed by Law or Regulation (Ref: par. .20)

.A28 Some report forms can be made acceptable by inserting additional wording to include the elements required by sections 205, 206, 210, and 215.⁶ Some report forms required by law or regulation can be made acceptable only by complete revision because the prescribed language of the practitioner's report calls for statements by the practitioner that are not consistent with the practitioner's function or responsibility, for example, a report form that requests the practitioner to "certify" the subject matter information. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Departure From a Relevant Requirement (Ref: par. .22)

.A29 Paragraph .44 prescribes documentation requirements when the circumstances described in paragraph .22 occur.

Interpretive Publications (Ref: par. .23)

.A30 *Interpretive publications* are not attestation standards. Interpretive publications are recommendations on the application of the attestation standards in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is

⁶Paragraphs .63–.66 of section 205, paragraphs .46–.49 of section 210, and paragraph .32–.33 of section 215, *Agreed-Upon Procedures Engagements*. [As amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted.]

issued under the authority of the relevant senior technical committee after all members of the committee have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the attestation standards. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Other Attestation Publications (Ref: par. .24)

.A31 Other attestation publications have no authoritative status; however, they may help the practitioner understand and apply the attestation standards. The practitioner is not expected to be aware of the full body of other attestation publications. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A32 Although the practitioner determines the relevance of these publications in accordance with paragraph .24, the practitioner may presume that other attestation publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are appropriate. These other attestation publications are listed in AT-C appendix B, "Other Attestation Publications."

.A33 In determining whether an other attestation publication that has not been reviewed by the AICPA Audit and Attest Standards staff is appropriate to the circumstances of the attestation engagement, the practitioner may wish to consider the degree to which the publication is recognized as being helpful in understanding and applying the attestation standards and the degree to which the publisher or author is recognized as an authority in attestation matters. [Revised, February 2017, to better reflect the AICPA Council Resolution designating the Public Company Accounting Oversight Board to promulgate technical standards.]

Preconditions for an Attestation Engagement (Ref: par. .26)

.A34 The "Independence Standards for Engagements Performed in Accordance With Statements on Standards for Attestation Engagements" interpretation (ET sec. 1.297) establishes special requirements for independence for services provided under the attestation standards. In addition, the "Conceptual Framework Approach" interpretation (ET sec. 1.210.010) discusses threats to independence not specifically detailed elsewhere, for example, when the practitioner has an interest in the underlying subject matter. [As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Roles and Responsibilities (Ref: par. .27a)

.A35 All attestation engagements have an engaging party, a responsible party, the practitioner, and intended users. In some attestation engagements, the engaging party is different from the responsible party. In other attestation engagements, the engaging party, the responsible party, and the intended users may all be the same. [Paragraph added, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted.]

.A36 The responsible party may acknowledge its responsibility for the underlying subject matter as it relates to the objective of the engagement in a number of ways, for example,

in an engagement letter, a representation letter, or the presentation of the subject matter information, including the notes thereto, or the written assertion. Examples of other evidence of the responsible party's responsibility for the underlying subject matter include reference to legislation, a regulation, or a contract. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A37 Evidence that the appropriate relationship exists with respect to responsibility for the underlying subject matter may be obtained through an acknowledgment provided by the responsible party. Such an acknowledgment also establishes a basis for a common understanding of the responsibilities of the responsible party and the practitioner. A written acknowledgment is the most appropriate form of documenting the responsible party's understanding. In the absence of a written acknowledgment of responsibility, it may still be appropriate for the practitioner to accept the engagement if, for example, other sources, such as legislation or a contract, indicate responsibility. In other cases, it may be appropriate to decline the engagement depending on the circumstances or disclose the circumstances in the attestation report. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Appropriateness of Underlying Subject Matter (Ref: par. .27b[i])

.A38 An element of the appropriateness of underlying subject matter is the existence of a reasonable basis for measuring or evaluating the underlying subject matter against criteria. The responsible party in an assertion-based examination engagement or review engagement is responsible for having a reasonable basis for measuring or evaluating the underlying subject matter against the criteria. What constitutes a reasonable basis will depend on the nature of the underlying subject matter and other engagement circumstances. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A39 An appropriate underlying subject matter

- a. is identifiable and capable of consistent measurement or evaluation against the criteria and
- b. can be subjected to procedures for obtaining sufficient appropriate evidence to support an opinion, conclusion, or findings, as appropriate.

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A40 If the underlying subject matter is not appropriate for an examination engagement, it also is not appropriate for a review engagement. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A41 Different underlying subject matters have different characteristics, including the degree to which information about them is qualitative versus quantitative, objective versus

subjective, historical versus prospective, and relates to a point in time or covers a period. Such characteristics affect the following:

- a. In an examination or review engagement, the precision with which the underlying subject matter can be measured or evaluated against criteria
- b. The persuasiveness of available evidence

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A42 Identifying such characteristics and considering their effects assists the practitioner when assessing the appropriateness of the underlying subject matter and also in determining the content of the practitioner's report. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A43 In some cases, the attestation engagement may relate to only one part of a broader underlying subject matter. For example, the practitioner may be engaged to examine one aspect of an entity's contribution to sustainable development, such as the programs run by the entity that have positive environmental outcomes, and may be aware that the practitioner has not been engaged to examine more significant programs with less favorable outcomes. In such cases, in determining whether the engagement exhibits the characteristic of having an appropriate underlying subject matter, it may be appropriate for the practitioner to consider whether information about the aspect that the practitioner is asked to examine is likely to meet the information needs of intended users. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Suitable and Available Criteria (Ref: par. .27b[iii])

.A44 Suitable criteria exhibit all of the following characteristics:

- *Relevance.* Criteria are relevant to the underlying subject matter.
- *Objectivity.* Criteria are free from bias.
- *Measurability.* Criteria permit reasonably consistent measurements, qualitative or quantitative, of underlying subject matter.
- *Completeness.* Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information.

The relative importance of each characteristic to a particular engagement is a matter of professional judgment. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A45 Criteria can be developed in a variety of ways, for example, they may be

- embodied in laws or regulations.
- issued by authorized or recognized bodies of experts that follow a transparent due process.
- developed collectively by a group that does not follow a transparent due process.
- published in scholarly journals or books.
- developed for sale on a proprietary basis.
- specifically designed for the purpose of measuring, evaluating, or disclosing information about the underlying subject matter in the particular circumstances of the engagement.

How criteria are developed may affect the work that the practitioner carries out to assess their suitability. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A46 Criteria that are established or developed by groups composed of experts that follow due process procedures, including exposure of the proposed criteria for public comment, are ordinarily considered suitable. Criteria promulgated by a body designated by the Council of the AICPA under the AICPA Code of Professional Conduct are, by definition, considered to be suitable. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A47 In some cases, laws or regulations prescribe the criteria to be used for the engagement. In the absence of indications to the contrary, such criteria are presumed to be suitable. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A48 Criteria may be established or developed by the engaging party, the responsible party, industry associations, or other groups that do not follow due process procedures or do not as clearly represent the public interest. The practitioner's determination of whether such criteria are suitable is based on the characteristics described in paragraph .A44. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A49 Regardless of who establishes or develops the criteria, the responsible party or the engaging party is responsible for selecting the criteria, and the engaging party is responsible for determining that such criteria are appropriate for its purposes. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A50 Some criteria may be suitable for only a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria. For example, criteria set forth in a lease agreement for override payments may be suitable only for reporting to the parties to the agreement because of the likelihood that such criteria would be misunderstood or misinterpreted by parties other than those who have specifically agreed to the criteria. Such criteria can be agreed upon directly by the parties or through a designated representative. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A51 Even when established criteria exist for an underlying subject matter, specific users may agree to other criteria for their specific purposes. For example, various frameworks can be used as established criteria for evaluating the effectiveness of internal control. Specific users may, however, develop a more detailed set of criteria that meet their specific information needs. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A52 If criteria are specifically designed for the purpose of measuring, evaluating, or disclosing information about the underlying subject matter in the particular circumstances of the engagement, they are not suitable if they result in subject matter information or a practitioner's report that is misleading to the intended users. It is desirable for the intended users or the engaging party to acknowledge that specifically developed criteria are suitable for the intended users' purposes. The absence of such an acknowledgement may affect what is to be done to assess the suitability of the criteria and the information provided about the criteria in the report. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A53 Criteria need to be available to the intended users to allow them to understand how the underlying subject matter has been measured or evaluated. Criteria are made available to the intended users in one or more of the following ways:

- a. Publicly
- b. Through inclusion in a clear manner in the presentation of the subject matter information
- c. Through inclusion in a clear manner in the practitioner's report
- d. By general understanding, for example, the criterion for measuring time in hours and minutes
- e. Available only to specified parties, for example, terms of a contract or criteria issued by an industry association that are available only to those in the industry

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A54 When criteria are available only to specified parties, sections 205 and 210 require a statement restricting the use of the practitioner's report.⁷ [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

Access to Evidence (Ref: par. .27b[iii])

.A55 The nature of the relationship between the responsible party and, if different, the engaging party, may affect the practitioner's ability to access records, documentation, and

⁷Paragraph .64b of section 205 and paragraph .47b of section 210.

other information the practitioner may require as evidence to arrive at the practitioner's opinion, conclusion, or findings. Therefore, the nature of that relationship may be a relevant consideration when determining whether or not to accept the engagement. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A56 The quantity or quality of available evidence is affected by both of the following:

- a. The characteristics of the underlying subject matter or the subject matter information, for example, less objective evidence might be expected when the subject matter information is future-oriented, rather than historical
- b. Other circumstances, such as when evidence that could reasonably be expected to exist is not available, for example, because of the timing of the practitioner's appointment, an entity's document retention policy, inadequate information systems, or a restriction imposed by the responsible or engaging party

[Paragraph renumbered and amended, effective for practitioners' reports dated on or after July 15, 2021, by SSAE No. 19. Early implementation is permitted. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

Acceptance of a Change in the Terms of the Engagement (Ref: par. .31)

.A57 A change in circumstances that affects the requirements of the responsible party or, if different, the engaging party, or a misunderstanding concerning the nature of the engagement originally requested, may be considered reasonable justification for requesting a change in the engagement, for example, from an attestation engagement to a consulting engagement or from an examination engagement to a review engagement. A change may not be considered reasonable if it appears that the change relates to information that is incorrect, incomplete, or otherwise unsatisfactory. An example of such a circumstance is a request to change the engagement from an examination to a review to avoid a modified opinion or a disclaimer of opinion in a situation in which the practitioner is unable to obtain sufficient appropriate evidence regarding the underlying subject matter or subject matter information. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A58 If the practitioner and the engaging party are unable to agree to a change in the terms of the engagement and the practitioner is not permitted to continue the original engagement, the practitioner may withdraw from the engagement when possible under applicable laws and regulations. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

Using the Work of an Other Practitioner (Ref: par. .33)

.A59 The practitioner is responsible for (a) the direction, supervision, and performance of the engagement in compliance with professional standards; applicable regulatory and legal requirements; and the firm's policies and procedures and (b) determining whether the practitioner's report that is issued is appropriate in the circumstances. The practitioner

may, however, use the work of other practitioners to obtain sufficient appropriate evidence to express an opinion, conclusion, or findings on the subject matter information (or assertion). [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A60 The engagement partner may decide to assume responsibility for the work of the other practitioner or to make reference to the other practitioner in the practitioner's report. Regardless of whether the engagement partner decides to assume responsibility or make reference, the practitioner is required to communicate clearly with the other practitioner and evaluate whether the other practitioner's work is adequate for the purposes of the engagement. The nature, timing, and extent of this involvement are affected by the practitioner's understanding of the other practitioner, such as previous experience with, or knowledge of, the other practitioner and the degree to which the engagement team and the other practitioner are subject to common quality control policies and procedures. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

Quality Control

Assignment of the Engagement Team and the Practitioner's Specialists (Ref: par. .34a–b(i))

.A61 The practitioner may obtain knowledge about the specific underlying subject matter to which the procedures are to be applied and the criteria through formal or continuing education, practical experience, or consultation with others. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A62 When considering the appropriate competence and capabilities expected of those involved in the engagement, the engagement partner may take into consideration such matters as their

- understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation.
- understanding of professional standards and applicable legal and regulatory requirements.
- technical expertise, including expertise with relevant IT and specialized areas relevant to the underlying subject matter.
- knowledge of relevant industries in which the entity operates.
- ability to apply professional judgment.
- understanding of the firm's quality control policies and procedures.

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A63 Some of the attestation work may be performed by a multidisciplinary team that includes one or more practitioner’s specialists. For example, in an examination engagement, a practitioner’s specialist may be needed to assist the practitioner in obtaining an understanding of the underlying subject matter, criteria, and other engagement circumstances or in assessing or responding to the risk of material misstatement. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners’ reports dated on or after June 15, 2022, by SSAE No. 21.]

Leadership Responsibilities for Quality in Attestation Engagements (Ref: par. .35c)

.A64 Under QM section 10A, the firm’s review responsibility policies and procedures are determined on the basis that suitably experienced team members review the work of other team members. The engagement partner may delegate part of the review responsibility to other members of the engagement team, in accordance with the firm’s system of quality control. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

Engagement Documentation (Ref: par. .37–.38)

.A65 Documentation prepared at the time work is performed or shortly thereafter is likely to be more accurate than documentation prepared at a much later time. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A66 The completion of the assembly of the final engagement file is an administrative process that does not involve the performance of new procedures or the drawing of new conclusions. Changes may, however, be made to the documentation during the final assembly process if they are administrative in nature. Examples of such changes include the following:

- Deleting or discarding superseded documentation
- Sorting, collating, and cross-referencing working papers
- Signing off on completion checklists relating to the file assembly process
- Documenting evidence that the practitioner has obtained, discussed, and agreed with the relevant members of the engagement team before the date of the practitioner’s report
- Adding information received after the date of the report, for example, an original confirmation that was previously communicated electronically

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners’ reports dated on or after June 15, 2022, by SSAE No. 21.]

Engagement Quality Control Review (Ref: par. .45)

.A67 Other matters that may be considered in an engagement quality control review include the following:

- a. The engagement team’s evaluation of the firm’s independence in relation to the engagement
- b. Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters and the conclusions arising from those consultations
- c. Whether engagement documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

Professional Skepticism and Professional Judgment

Professional Skepticism (Ref: par. .46)

.A68 Professional skepticism includes being alert to matters such as the following:

- Evidence that contradicts other evidence obtained
- Information that brings into question the reliability of documents and responses to inquiries to be used as evidence
- Circumstances that may indicate fraud
- Circumstances that suggest the need for procedures in addition to those required by relevant AT-C sections

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A69 Professional skepticism is necessary to the critical assessment of evidence. This includes questioning contradictory evidence and the reliability of documents and responses to inquiries and other information obtained from the appropriate party. It also includes consideration of the sufficiency and appropriateness of evidence obtained in light of the circumstances. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A70 The practitioner neither assumes that the appropriate party is dishonest nor assumes unquestioned honesty. The practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the practitioner of the need to maintain professional skepticism or allow the practitioner to be satisfied with less than sufficient appropriate evidence for the service being provided. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

Professional Judgment (Ref: par. .48)

.A71 Professional judgment is essential to the proper conduct of an attestation engagement. This is because interpretation of relevant ethical requirements and relevant AT-C sections and the informed decisions required throughout the engagement cannot be made without

the application of relevant knowledge and experience to the facts and circumstances. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A72 For examination and review engagements, professional judgment is necessary regarding decisions about the following matters:

- Materiality and attestation risk
- The nature, timing, and extent of procedures used to meet the requirements of relevant AT-C sections and gather evidence
- Evaluating whether sufficient appropriate evidence for the service being provided has been obtained and whether more needs to be done to achieve the objectives of this section, section 205, section 206, or section 210, and any relevant subject-matter-specific AT-C sections and thereby the overall objectives of the practitioner
- In assertion-based examination engagements and review engagements, the evaluation of the responsible party's judgments in applying the criteria
- The drawing of conclusions based on the evidence obtained, for example, assessing the reasonableness of the evaluation or measurement of underlying subject matter

[Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

.A73 The distinguishing feature of professional judgment expected of a practitioner is that such judgment is exercised based on competencies necessary to achieve reasonable judgments developed by the practitioner through relevant training, knowledge, and experience. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A74 The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the practitioner. 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, assist the practitioner in making informed and reasonable judgments. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A75 Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of the attestation standards and measurement or evaluation 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 report. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019.]

.A76 The requirement to exercise professional judgment applies throughout the engagement. Professional judgment also needs to be appropriately documented as required by sections 205, 206, and 210. [Paragraph renumbered by the issuance of SSAE No. 19, December 2019. As amended, effective for practitioners' reports dated on or after June 15, 2022, by SSAE No. 21.]

AT-C Section 9105

Concepts Common to All Attestation Engagements: Attestation Interpretations of Section 105

1. Responding to Requests for Reports on Matters Relating to Solvency

.01 Question — Lenders, as a requisite to the closing of certain secured financings in connection with leveraged buyouts, recapitalizations, and certain other financial transactions, have sometimes requested written assurance from an accountant regarding the prospective borrower's solvency and related matters.¹ The lender is concerned that such financings not be considered to include a fraudulent conveyance or transfer under the United States Bankruptcy Code² or the relevant state fraudulent conveyance or transfer statute.³ If the financing is subsequently determined to have included a fraudulent

¹Although this interpretation describes requests from secured lenders and summarizes the potential effects of fraudulent conveyance or transfer laws upon such lenders, the interpretation is not limited to requests from lenders. All requests for assurance on matters relating to solvency are governed by this interpretation.

²Chapter 5 of the United States Bankruptcy Code addresses *fraudulent transfers and obligations* and states the following:

(a)(1)The trustee may avoid any transfer of an interest of the debtor in property or any obligation incurred by the debtor, that was made or incurred on or within two years before the date of the filing of the petition, if the debtor voluntarily or involuntarily—

(A) made such transfer or incurred such obligation with actual intent to hinder, delay, or defraud any entity to which the debtor was or became, on or after the date that such transfer occurred or such obligation was incurred, indebted; or

(B)(i) received less than a reasonably equivalent value in exchange for such transfer or obligation; and

(ii)(I) was insolvent on the date that such transfer was made or such obligation was incurred, or became insolvent as a result of such transfer or obligation;

(II) was engaged in business or a transaction, or was about to engage in business or a transaction, for which any property remaining with the debtor was an unreasonably small capital;

(III) intended to incur, or believed that the debtor would incur, debts that would be beyond the debtor's ability to pay as such debts matured; or

(IV) made such transfer to or for the benefit of an insider, or incurred such obligation to or for the benefit of an insider, under an employment contract and not in the ordinary course of business.

conveyance or transfer, repayment obligations and security interests may be set aside or subordinated to the claims of other creditors.

.02 May a practitioner provide assurance concerning *matters relating to solvency*, as hereinafter defined?

.03 Interpretation — No. For reasons set forth subsequently, a practitioner should not provide any form of assurance, through an examination, review, or agreed-upon procedures engagement, that an entity

- is not insolvent at the time the debt is incurred or would not be rendered insolvent thereby.
- does not have unreasonably small capital.
- has the ability to pay its debts as they mature.

In the context of particular transactions, other terms are sometimes used or defined by the parties as equivalents of or substitutes for the preceding terms (for example, *fair salable value of assets exceeds liabilities*). These terms, and those matters listed previously, are hereinafter referred to as *matters relating to solvency*. The prohibition extends to providing assurance concerning all such terms.

.04 Section 105, *Concepts Common to All Attestation Engagements*, indicates that one of the preconditions for performing an attestation engagement is that the criteria to be applied in the preparation and evaluation of the underlying subject matter are suitable and will be available to the intended users.⁴Section 105 also indicates that suitable criteria exhibit all the following characteristics:⁵

- *Relevance*. Criteria are relevant to the underlying subject matter.
- *Objectivity*. Criteria are free from bias.
- *Measurability*. Criteria permit reasonably consistent measurements, qualitative or quantitative, of underlying subject matter.
- *Completeness*. Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of the subject matter information.

.05 The matters relating to solvency mentioned in paragraph .03 of this interpretation are subject to legal interpretation under, and varying legal definition in, the United States

³State fraudulent conveyance or transfer statutes such as the Uniform Fraudulent Conveyance Act and the Uniform Fraudulent Transfer Act reflect substantially similar provisions. These state laws may be employed absent a declaration of bankruptcy or by a bankruptcy trustee under Section 544(1) of the United States Bankruptcy Code. Although the statute of limitations varies from state to state, in some states, financing transactions may be vulnerable to challenge for up to six years from closing.

⁴Paragraph .27b(ii) of section 105, *Concepts Common to All Attestation Engagements*.

⁵Paragraph .A44 of section 105.

Bankruptcy Code and various state fraudulent conveyance and transfer statutes. Because these matters are not clearly defined in an accounting sense and, therefore, are subject to varying interpretations, they do not provide the practitioner with suitable criteria required to evaluate the underlying subject matter or an assertion. In addition, lenders are concerned with legal issues on matters relating to solvency, and the practitioner is generally unable to evaluate or provide assurance on these matters of legal interpretation. Therefore, practitioners are precluded from giving any form of assurance on matters relating to solvency or any financial presentation of matters relating to solvency.

.06 Under existing AICPA standards, the practitioner may provide a client with various professional services that may be useful to the client in connection with a financing. These services include the following:

- Audit of historical financial statements
- Review of historical financial information (a review in accordance with AU-C section 930, *Interim Financial Information*, of interim financial information or in accordance with AR-C section 90, *Review of Financial Statements*)
- Examination or review of pro forma financial information (section 310, *Reporting on Pro Forma Financial Information*).
- Examination of prospective financial information in accordance with section 305, *Prospective Financial Information*, or compilation of prospective financial information in accordance with AR-C section 80A, *Compilation Engagements*.⁶

.07 Although a practitioner may not provide an agreed-upon procedures report under section 215, *Agreed-Upon Procedures Engagements*, that addresses matters related to solvency, a practitioner may provide an agreed-upon procedures report that addresses other subject matter that can be useful to a client or lender in connection with a financing. For example, the practitioner may perform an agreed-upon procedures engagement in which the client and lender specify the procedures to be applied to various financial presentations, such as historical financial information, pro forma financial information, and prospective financial information, which can be useful to a client or lender in connection with a financing.

.08 The practitioner should be aware that certain of the services described in paragraph .06 require that the practitioner have an appropriate level of knowledge of the entity's accounting and financial reporting practices and its internal control. This has ordinarily been obtained by the practitioner auditing historical financial statements of the entity for the most recent annual period or by otherwise obtaining an equivalent knowledge base.

⁶Paragraph .01 of AR-C section 80A, *Compilation Engagements*. Section 305, *Prospective Financial Information*, does not address compilations of prospective financial information — a service that is included in AT section 301, *Financial Forecasts and Projections*. Paragraph .01 of AR-C section 80A states that AR-C section 80A (which is applicable to compilations of historical financial statements) also may be applied, adapted as necessary in the circumstances, to other historical or prospective financial information.

All AT sections can be found in *PCAOB Standards and Related Rules*.

All AR-C sections can be found in *AICPA Professional Standards*.

When considering acceptance of an engagement relating to a financing, the practitioner should consider whether he or she can perform these services without an equivalent knowledge base.

.09 Section 215 states that the practitioner should not express an opinion or conclusion on the subject matter or about whether the subject matter is in accordance with (or based on) the criteria.⁷ Accordingly, a report on agreed-upon procedures should not express an opinion or conclusion on matters relating to solvency or any financial presentation of matters relating to solvency (for example, fair salable value of assets less liabilities or fair salable value of assets less liabilities, contingent liabilities, and other commitments). A practitioner's report on the results of applying agreed-upon procedures should contain the report elements set forth in section 215 (or section 305 if applying agreed-upon procedures to prospective financial information).⁸ To clarify the purpose of the engagement and the practitioner's findings, the practitioner's report on the results of applying agreed-upon procedures may state that

- the service has been requested in connection with a financing (no reference should be made to any solvency provisions in the financing agreement).
- no representations are provided regarding questions of legal interpretation.
- no assurance is provided concerning the borrower's
 - solvency,
 - adequacy of capital, or
 - ability to pay its debts.
- the procedures should not be taken to supplant any additional inquiries and procedures that the lender should undertake in its consideration of the proposed financing.
- where applicable, an audit of recent historical financial statements has previously been performed and that no audit of any historical financial statements for a subsequent period has been performed. In addition, if any services have been performed pursuant to paragraph .06, they may be referred to.

.10 The financing agreement ordinarily specifies the date, often referred to as the *cut-off date*, to which the report is to relate (for example, a date three business days before the date of the report). To clarify the purpose of the engagement and the practitioner's findings, the report may state that the inquiries and other procedures carried out in connection with the report did not cover the period from the cut-off date to the date of the report.

.11 The practitioner might consider furnishing the client with a draft of the agreed-upon procedures report. In order to avoid giving the impression that the procedures described therein have been performed, the draft report may be identified as a draft. This practice

⁷Paragraph .26c of section 215, *Agreed-Upon Procedures Engagements*.

⁸Paragraph .34 of section 215 and paragraph .39 of section 305.

of furnishing a draft report at an early point permits the practitioner to make clear to the client and lender what they may expect the accountant to furnish and gives them an opportunity to change the financing agreement or the agreed-upon procedures if they so desire. [Issue Date: May 1988. Amended, February 1993. Revised, January 2001. Revised, November 2006. Revised, December 2012. Revised, April 2016, effective for practitioners' reports dated on or after May 1, 2017. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE Nos. 19 and 21.]

2. Applicability of Attestation Standards to Litigation Services

.12 Question — Does Interpretation No. 1, "Responding to Requests for Reports on Matters Relating to Solvency," of section 105 prohibit a practitioner from providing expert testimony, as described in section 105, before a trier of fact on matters relating to solvency?⁹

.13 Interpretation — No. Matters relating to solvency mentioned in paragraph .03 of Interpretation No. 1 are subject to legal interpretation under, and varying legal definition in, the United States Bankruptcy Code and various state fraudulent conveyance and transfer statutes. Because these matters are not clearly defined in an accounting sense and, therefore, subject to varying interpretations, they do not provide the practitioner with the suitable criteria required to evaluate the assertion. Thus, Interpretation No. 1 prohibits a practitioner from providing any form of assurance in reporting upon examination, review, or agreed-upon procedures engagements about matters relating to solvency (as defined in paragraph .03 of Interpretation No. 1).

.14 However, a practitioner who is involved with pending or potential formal legal or regulatory proceedings before a trier of fact in connection with the resolution of a dispute between two or more parties may provide an expert opinion or consulting advice about matters relating to solvency. The prohibition in Interpretation No. 1 does not apply in such engagements because as part of the legal or regulatory proceedings, each party to the dispute has the opportunity to analyze and challenge the legal definition and interpretation of the matters relating to solvency and the criteria the practitioner uses to evaluate matters related to solvency. Such services are not intended to be used by others who do not have the opportunity to analyze and challenge such definitions and interpretations. [Issue Date: July 1990. Revised: January 2001. Revised: April 2016, effective for practitioners' reports dated on or after May 1, 2017.]

3. Providing Access to or Copies of Engagement Documentation to a Regulator^{10,11}

.15 Question — Section 105 states that "Because engagement documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information."¹² However, practitioners are sometimes required by law, regulation, or contract¹³ to provide a regulator, or a duly appointed representative, access to engagement documentation. For example, a regulator may request access to the engagement documentation to fulfill a quality review requirement or to assist in

⁹Paragraph .A2 of section 105.

establishing the scope of a regulatory examination. Furthermore, as part of the regulator's review of the engagement documentation, the regulator may request copies of all or selected portions of the engagement documentation during or after the review. The regulator may intend, or decide, to make copies (or information derived from the engagement documentation) available to others, including other governmental agencies, for their particular purposes, with or without the knowledge of the practitioner or the client. When a regulator requests the practitioner to provide access to (and possibly copies of) engagement documentation pursuant to law, regulation, or contract, what actions might the practitioner consider?

.16 Interpretation — When a regulator requests access to engagement documentation pursuant to law, regulation, or contract, the practitioner may take the following steps:

- a. Consider advising the client that the regulator has requested access to (and possibly copies of) the engagement documentation and that the practitioner intends to comply with such request.¹⁴
- b. Make appropriate arrangements with the regulator for the review.
- c. Maintain control over the engagement documentation, and
- d. Consider submitting the letter described in paragraph .19 of this interpretation to the regulator.

.17 Making appropriate arrangements with the regulator may include establishing the specific details, such as the date, time, and location of the review. The engagement documentation may be made available to a regulator at the offices of the client, the practitioner, or a mutually agreed-upon location. However, maintaining control of engagement documentation is necessary in order for the practitioner to maintain the

¹⁰The term *regulator(s)* includes federal, state, and local government officials with legal oversight authority over the entity. Examples of regulators who may request access to engagement documentation include, but are not limited to, state insurance and utility regulators, various health care authorities, and federal agencies such as the Federal Deposit Insurance Corporation, the Department of Housing and Urban Development, the Department of Labor, and the Rural Electrification Administration.

¹¹The guidance in this interpretation does not apply to requests from the IRS; firm practice-monitoring programs, to comply with AICPA or state professional requirements such as peer or quality reviews; proceedings relating to alleged ethics violations; or subpoenas.

¹²Paragraph .42 of section 105.

¹³Paragraphs .26–.30 of this interpretation address situations in which the practitioner is not required by law, regulation, or contract to provide a regulator access to the engagement documentation.

¹⁴The practitioner may wish (and, in some cases, may be required by law, regulation, or contract) to confirm in writing with the client that the practitioner may be required to provide a regulator access to the engagement documentation. Sample language that may be used follows:

The engagement documentation for this engagement is the property of *[name of firm]* and constitutes confidential information. However, we may be requested to make certain engagement documentation available to *[name of regulator]* pursuant to authority given to it by law or regulation. If requested, access to such engagement documentation will be provided under the supervision of *[name of firm]* personnel. Furthermore, upon request, we may provide copies of selected engagement documentation to *[name of regulator]*. The *[name of regulator]* may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

integrity of the engagement documentation and the confidentiality of client information. For example, the practitioner (or the practitioner's representative) may be present when the engagement documentation is reviewed by the regulator.

.18 Ordinarily, the practitioner may not agree to transfer ownership of the engagement documentation to a regulator. Furthermore, the practitioner may not agree, without client authorization, that the information contained therein about the client may be communicated to or made available to any other party. In this regard, the action of a practitioner providing access to, or copies of, the engagement documentation shall not constitute transfer of ownership or authorization to make them available to any other party.

.19 An engagement performed in accordance with the attestation standards is not intended to, and does not, satisfy a regulator's oversight responsibilities. To avoid any misunderstanding, prior to allowing a regulator access to the engagement documentation, the practitioner may submit a letter to the regulator that

- a. sets forth the practitioner's understanding of the purpose for which access is being requested;
- b. describes the examination, review, or agreed-upon procedures process, as applicable, and the limitations inherent in the applicable attestation engagement;
- c. explains the purpose for which the engagement documentation was prepared, and that any individual conclusions or findings must be read in the context of the practitioner's report on the subject matter (or assertion);
- d. states, except when not applicable, that the engagement was not planned or conducted in contemplation of the purpose for which access is being granted or to assess the entity's compliance with laws and regulations;
- e. states that the examination, review, or agreed-upon procedures engagement, as applicable, and the engagement documentation should not supplant other inquiries and procedures that should be undertaken by the regulator for its purposes;
- f. requests confidential treatment under the Freedom of Information Act or similar laws and regulations,¹⁵ when a request for the engagement documentation is made, and that written notice be given to the practitioner before transmitting any information contained in the engagement documentation to others, including other governmental agencies, except when such transfer is required by law or regulation; and
- g. states that if any copies are to be provided, they will be identified as "Confidential Treatment Requested by [*name of firm, address, telephone number*]."

The practitioner may obtain a signed acknowledgment copy of the letter as evidence of the regulator's receipt of the letter. Illustrative letters for an examination engagement performed in accordance with section 315, *Compliance Attestation*, and an agreed-upon procedures engagement performed in accordance with section 215 follow.

¹⁵The practitioner may need to consult the regulations of individual agencies and, if necessary, consult with legal counsel regarding the specific procedures and requirements necessary to gain confidential treatment.

.20 Illustrative letter for an examination engagement:

Illustrative Letter to Regulator¹⁶

[Date]

[Name and Address of Regulatory Agency]

Your representatives have requested access to our engagement documentation in connection with our engagement to examine XYZ Company's compliance with *[identify the specified requirements]* during the period *[date]* to *[date]* *[or management's assertion about its compliance with (identify the specified requirements) during the period (date) to (date)]*. It is our understanding that the purpose of your request is *[state purpose: for example, "to facilitate your regulatory examination"]*¹⁷

Our examination was conducted in accordance with attestation standards¹⁸ established by the AICPA, the objective of which is to obtain reasonable assurance about whether XYZ Company complied with *[identify the specified requirements]* during the period *[date]* to *[date]*, in all material respects, and to express an opinion in a written report about whether XYZ Company complied with *[identify the specified requirements]* during the period *[date]* to *[date]* *[or whether management's assertion about its compliance with (identify the specified requirements) during the period (date) to (date) is fairly stated]*, in all material respects, based on our examination. Under these standards, we have the responsibility to plan and perform our examination to provide a reasonable basis for our opinion and to exercise due professional care in the performance of our examination. Our examination is subject to the inherent risk that material noncompliance, if it exists, would not be detected. In addition, our examination does not address the possibility that material noncompliance may occur in the future. Also, our use of professional judgment and the assessments of attestation risk and materiality for the purpose of our examination means that matters may have existed that would have been assessed differently by you. Our examination does not provide a legal determination on *[name of entity]*'s compliance with specified requirements.

The engagement documentation was prepared for the purpose of providing a sufficient and appropriate record of the basis of our opinion on *[name of entity]*'s compliance and to aid in the performance and supervision of our examination. The engagement documentation is the principal record of attestation procedures performed, relevant evidence obtained, and conclusions reached by us in the examination. The procedures that we performed were limited to those we considered necessary under attestation standards¹⁹ established by the AICPA to provide us with reasonable basis for our opinion. Accordingly, we make

¹⁶The letter may be modified appropriately when the engagement has been conducted in accordance with Statements on Standards for Attestation Engagements (SSAEs) and also in accordance with additional attestation requirements specified by a regulatory agency (for example, the requirements specified in *Government Auditing Standards* issued by the Comptroller General of the United States).

¹⁷See footnote 13. Also, if the practitioner is not required by law, regulation, or contract to provide a regulator access to the engagement documentation but otherwise intends to provide such access, the letter should include a statement that "Management of *[name of entity]* has authorized us to provide you access to our attest documentation for *[state purpose]*." [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126. Revised: April 2016, effective for practitioners' reports dated on or after May 1, 2017.]

¹⁸See footnote 16.

no representation as to the sufficiency or appropriateness, for your purposes, of either the procedures or information in our engagement documentation. In addition, any notations, comments, and individual conclusions appearing on any of the engagement documentation do not stand alone and should not be read as an opinion on any part of management's assertion or the related subject matter.

Our examination was conducted for the purpose stated above and was not planned or performed in contemplation of your [*state purpose*: for example, "regulatory examination"]. Therefore, items of possible interest to you may not have been specifically addressed. Accordingly, our examination, and the engagement documentation prepared in connection therewith, should not supplant other inquiries and procedures that should be undertaken by the [*name of regulatory agency*] for the purpose of monitoring and regulating [*name of entity*]. In addition, we have not performed any procedures since the date of our report with respect to the subject matter [*or management's assertion related thereto*], and significant events or circumstances may have occurred since that date.

The engagement documentation constitutes and reflects work performed or information obtained by us in the course of our examination. The documents contain trade secrets and confidential commercial and financial information of our firm and [*name of entity*] that is privileged and confidential, and we expressly reserve all rights with respect to disclosures to third parties. Accordingly, we request confidential treatment under the Freedom of Information Act or similar laws and regulations²⁰ when requests are made for the engagement documentation or information contained therein or any documents created by the [*name of regulatory agency*] containing information derived there from. We further request that written notice be given to our firm before distribution of the information in the engagement documentation (or copies thereof) to others, including other governmental agencies, except when such distribution is required by law or regulation.

[If it is expected that copies will be requested, add the following:

Any copies of our engagement documentation we agree to provide you will contain a legend "Confidential Treatment Requested by (*name of firm, address, telephone number*)."]

[Firm signature]

.21 The following is an illustrative letter for an agreed-upon procedures engagement:

¹⁹See footnote 16.

²⁰This illustrative paragraph may not, in and of itself, be sufficient to gain confidential treatment under the rules and regulations of certain regulatory agencies. The practitioner should consider tailoring this paragraph to the circumstances after consulting the regulations of each applicable regulatory agency and, if necessary, consult with legal counsel regarding the specific procedures and requirements necessary to gain confidential treatment.

Illustrative Letter to Regulator²¹

[Date]

[Name and Address of Regulatory Agency]

Your representatives have requested access to our engagement documentation in connection with our engagement to perform agreed-upon procedures on [identify the subject matter or management's assertion]. It is our understanding that the purpose of your request is [state purpose: for example, "to facilitate your regulatory examinations."]²²

Our agreed-upon procedures engagement was conducted in accordance with attestation standards²³ established by the AICPA. Under these standards, we have the responsibility to perform the agreed-upon procedures to provide a reasonable basis for the findings expressed in our report. We were not engaged to, and did not, perform an examination, the objective of which would be to form an opinion on [identify the subject matter or management's assertion]. Our engagement is subject to the inherent risk that material misstatement of [identify the subject matter or management's assertion], if it exists, would not be detected. [The practitioner may add the following: "In addition, our engagement does not address the possibility that material misstatement of (identify the subject matter or management's assertion) may occur in the future."] The procedures that we performed were limited to those agreed to and acknowledged by [name of entity] to be appropriate to meet the intended purpose of [the intended purpose of the agreed-upon procedures engagement]. Further, our engagement does not provide a legal determination on [name of entity]'s compliance with specified requirements.

The engagement documentation was prepared to document agreed-upon procedures applied, information obtained, and related findings in the engagement. Accordingly, we make no representation, for your purposes, as to the sufficiency or appropriateness of the information in our engagement documentation. In addition, any notations, comments, and individual findings appearing on any of the engagement documentation should not be read as an opinion on [identify the subject matter or management's assertion], or any part thereof.

Our engagement was performed for the purpose stated above and was not performed in contemplation of your [state purpose: for example, "regulatory examination"]. Therefore, items of possible interest to you may not have been specifically addressed. Accordingly, our engagement, and the engagement documentation prepared in connection therewith, should not supplant other inquiries and procedures that should be undertaken by the [name of regulatory agency] for the purpose of monitoring and regulating [name of client]. In addition, we have not performed any procedures since the date of our report with respect to the subject matter or management's assertion related thereto, and significant events or circumstances may have occurred since that date.

²¹See footnote 16.

²²See footnotes 13 and 17. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126. Revised, April 2016.]

²³See footnote 16.

The engagement documentation constitutes and reflects procedures performed or information obtained by us in the course of our engagement. The documents contain trade secrets and confidential commercial and financial information of our firm and *[name of client]* that is privileged and confidential, and we expressly reserve all rights with respect to disclosures to third parties. Accordingly, we request confidential treatment under the Freedom of Information Act or similar laws and regulations when requests are made for the engagement documentation or information contained therein or any documents created by the *[name of regulatory agency]* containing information derived therefrom. We further request that written notice be given to our firm before distribution of the information in the engagement documentation (or copies thereof) to others, including other governmental agencies, except when such distribution is required by law or regulation.²⁴

[If it is expected that copies will be requested, add the following:

Any copies of our engagement documentation we agree to provide you will contain a legend "Confidential Treatment Requested by *(name of firm, address, telephone number)*."]

[Firm signature]

[Issue Date: May 1996; Revised: January 2001. January 2002. Revised: December 2012. Revised: April 2016, effective for practitioners' reports dated on or after May 1, 2017. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE Nos. 19 and 21.]

.22 Question — A regulator may request access to the engagement documentation before the attestation engagement has been completed and the report released. May the practitioner allow access in such circumstances?

.23 Interpretation — When the engagement has not been completed, the engagement documentation is necessarily incomplete because (a) additional information may be added as a result of further tests and review by supervisory personnel, and (b) any results of the engagement and conclusions reflected in the incomplete engagement documentation may change. Accordingly, it is preferable that access be delayed until all attestation procedures have been completed and all internal reviews have been performed. If access is provided prior to completion of the engagement, the practitioner may issue the letter referred to in paragraph .19 of this interpretation, modified appropriately. The following is an example of additional language that may be included in the letter:

²⁴See footnote 20.

We have been engaged to examine, in accordance with attestation standards established by the AICPA, XYZ Company's compliance with *[identify the specified requirements]* during the period *[date]* to *[date]* (or management's assertion about its compliance during the period *[date]* to *[date]*), but have not yet completed our examination. Accordingly, at this time, we do not express any opinion on XYZ Company's compliance with *[identify the specified requirements]* during the period *[date]* to *[date]* (or management's assertion about its compliance during the period *[date]* to *[date]*). Furthermore, the contents of the engagement documentation may change as a result of additional attestation procedures and review of the engagement documentation by supervisory personnel of our firm. Accordingly, our engagement documentation is incomplete.

Because the engagement documentation may change prior to completion of the engagement, it is preferable that the practitioner not provide copies of the engagement documentation until the engagement has been completed.

.24 Question — Some regulators may engage an independent party, such as another independent public accountant, to perform the engagement documentation review on behalf of the regulatory agency. Are there any special precautions the practitioner may observe in these circumstances?

.25 Interpretation — The practitioner may obtain acknowledgment, preferably in writing, from the regulator stating that the third party is acting on behalf of the regulator and agreement from the third party that he or she is subject to the same restrictions on disclosure and use of engagement documentation and the information contained therein as the regulator.

.26 Question — When a regulator requests the practitioner to provide access to (and possibly copies of) engagement documentation and the practitioner is not otherwise required by law, regulation, or contract to provide such access, what steps may the practitioner take?

.27 Interpretation — The practitioner may obtain an understanding of the reasons for the regulator's request for access to the engagement documentation and may consider consulting with legal counsel regarding the request. If the practitioner decides to provide such access, reasonable procedures to maintain the confidentiality of client information include obtaining the client's consent, preferably in writing, to provide the regulator access to the engagement documentation.

.28 Following is an example of language that may be used in the written communication to the client:

The engagement documentation for this engagement is the property of *[name of firm]* and constitutes confidential information. However, we have been requested to make certain engagement documentation available to *[name of regulator]* for *[describe the regulator's basis for its request]*. Access to such engagement documentation will be provided under the supervision of *[name of firm]* personnel. Furthermore, upon request, we may provide copies of selected engagement documentation to *[name of regulator]*.

You have authorized *[name of firm]* to allow *[name of regulator]* access to the engagement documentation in the manner discussed above. Please confirm your agreement to the above by signing below and returning to *[name of firm, address]*.

[Firm signature]

Agreed and acknowledged:

[Name and title]

[Date]

.29 If the client requests to review the engagement documentation before allowing the regulator access, the practitioner may provide the client with the opportunity to obtain an understanding of the nature of the information about the subject matter contained in the engagement documentation that is being made available to the regulator. When a client reviews the engagement documentation, the need to maintain control of the engagement documentation is as discussed in paragraph .17 of this interpretation.

.30 The guidance in paragraphs .17–.25 of this interpretation, which provide guidance on making arrangements with the regulator for access to the engagement documentation, maintaining control over the engagement documentation, and submitting a letter describing various matters to the regulator, is also applicable.

[Issue Date: July, 1994. Revised: June, 1996. Revised: October, 2000. Revised: January, 2002. Revised: December, 2005. Revised: October, 2011, effective for audits of financial statements for periods ending on or after December 15, 2012. Revised: April 2016, effective for practitioners' reports dated on or after May 1, 2017.]

4. Performing and Reporting on an Attestation Engagement Under Two Sets of Attestation Standards

.31 Question — Do the AICPA attestation standards permit the performance of, and reporting on, an attestation engagement in which the practitioner follows both the AICPA attestation standards and another set of attestation standards, such as those issued by the International Auditing and Assurance Standards Board or the PCAOB?

.32 Interpretation — Yes, a practitioner may perform and report on an attestation engagement in accordance with AICPA attestation standards in addition to another set

of attestation standards, as long as both sets of attestation standards are followed in their entirety.

.33 Question — If a practitioner performs an attestation engagement in accordance with the AICPA attestation standards and the PCAOB interim attestation standards, how would the practitioner reference both sets of attestation standards if the practitioner chooses to do so in the attestation report?

.34 Interpretation — If the practitioner performs an attestation engagement in accordance with both AICPA attestation standards and the PCAOB interim attestation standards, and the report references both sets of attestation standards, the statement that the attestation engagement was conducted in accordance with attestation standards established by the AICPA would be amended to add that the engagement was also conducted in accordance with “the standards of the Public Company Accounting Oversight Board (United States).”²⁵ A reference to “the standards” of the PCAOB indicates that the practitioner has complied not only with the PCAOB interim attestation standards, but also with the related professional practice standards of the PCAOB, which include the relevant independence rules. If the practitioner is required to comply only with the PCAOB interim attestation standards rather than all the PCAOB standards, the practitioner may include the word “attestation” in the reference to the standards of the PCAOB.²⁶ A practitioner performing an attestation engagement in these circumstances may, nevertheless, be responsible for complying with certain or all of the independence and other related professional practice standards of the PCAOB, for example, when the attestation engagement is subject to regulatory oversight that requires compliance with those rules. Whether the practitioner conducts an attestation engagement in accordance with the standards of the PCAOB or in accordance with the attestation standards of the PCAOB depends on the circumstances of the engagement.

.35 Following are illustrative reports with examples of additional language (in ***bold italics***) that a practitioner may include in attestation reports to indicate that the engagement was conducted in accordance with the AICPA attestation standards and the PCAOB interim attestation standards:

²⁵PCAOB Release No. 2015-002, *Reorganization of PCAOB Auditing Standards and Related Amendments to PCAOB Standards and Rules*, states, in part, “...whenever the practitioner is required to make reference in a report to attestation standards established by the American Institute of Certified Public Accountants, the practitioner must instead refer to “the standards of the Public Company Accounting Oversight Board (United States).”

²⁶By analogy to Staff Question and Answer No. 2, *Audits of Financial Statements of Non-Issuers Performed Pursuant to the Standards of the Public Company Accounting Oversight Board* (PCAOB Staff Guidance, sec. 100.01), dated June 30, 2004.

Examination Engagement

Independent Accountant’s Report

[Same first paragraph as the standard report]

Our examination was conducted in accordance with attestation standards established by the AICPA **and in accordance with the standards of the Public Company Accounting Oversight Board (United States)**. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether *[identify the subject matter, for example, the schedule of investment returns]* is in accordance with (or based on) the criteria, in all material respects. An examination involves performing procedures to obtain evidence about *[identify the subject matter, for example, the schedule of investment returns]*. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of *[identify the subject matter, for example, the schedule of investment returns]*, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

[Same subsequent paragraphs as the standard report]

Review Engagement

Independent Accountant’s Report

[Same first paragraph as the standard report]

Our review was conducted in accordance with attestation standards established by the AICPA **and in accordance with the standards of the Public Company Accounting Oversight Board (United States)**. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to *[identify the subject matter, for example, the schedule of investment returns]* in order for it to be in accordance with (or based on) the criteria. The procedures performed in a review vary in nature and timing from and are substantially less in extent than an examination, the objective of which is to obtain reasonable assurance about whether *[identify the subject matter, for example, the schedule of investment returns]* is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

[Same subsequent paragraphs as the standard report]

Agreed-Upon Procedures Engagement

Independent Accountant’s Report

[Appropriate Addressee]

We have performed the procedures enumerated below on *[identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. *[The responsible party, for example, XYZ Fund]* is responsible for *[the subject matter]*.

[The engaging party, for example, the audit committee and management of XYZ Fund] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of *[identify the intended purpose of the engagement, for example, assisting users in understanding the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. **Additionally, *[identify the specified parties, for example, the audit committee and management of ABC Inc.]*²⁷ has agreed to the procedures performed.**²⁸ This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. ***The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.***²⁹

[Include paragraphs to enumerate procedures and findings]

We were engaged by *[the engaging party, for example, the audit committee and management of XYZ Fund]* to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA **and in accordance with the standards of the Public Company Accounting Oversight Board (United States)**. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on *[identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. 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.

²⁷Paragraph .31b of PCAOB AT section 201 requires that the practitioner’s report include an identification of the specified parties.

²⁸Paragraph .31f of PCAOB AT section 201 requires that the practitioner’s report include a statement that the procedures performed were agreed to by the specified parties identified in the report.

²⁹Paragraph .31h of PCAOB AT section 201 requires that the practitioner’s report include a statement that the sufficiency of the procedures is solely the responsibility of the specified parties and a disclaimer of responsibility for the sufficiency of those procedures.

We are required to be independent of XYZ Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the audit committees and managements of ABC Inc. and XYZ Fund and is not intended to be and should not be used by anyone other than these specified parties.³⁰

[Signature of the practitioner's firm]

[City and state where the practitioner's report is issued]

[Date of the practitioner's report]

.36 A practitioner performing an attestation engagement for a nonissuer may be required by law or regulation, or may otherwise determine it is more appropriate to use the form of attestation report included in the PCAOB Interim Attestation Standards adjusted to reflect that the engagement was also performed in accordance with AICPA attestation standards. In these circumstances a practitioner may use the reports illustrated in paragraph .37.

.37 Following are illustrative attestation reports based on the illustrative reports in the PCAOB interim attestation standards.³¹ The reports are marked to conform with the incremental reporting requirements in section 205, *Assertion-Based Examination Engagements*, section 210, *Review Engagements*, and section 215, *Agreed-Upon Procedures Engagements*, respectively. Additions to the reports are shown in ***bold italics*** and deletions are shown in ~~strike through~~. Such edits are intended to illustrate an attestation report that complies with the reporting requirements of both AICPA attestation standards and the PCAOB interim attestation standards.

³⁰Paragraph .31i of PCAOB AT section 201 requires that the practitioner's report include a statement of restrictions on the use of the report because it is intended to be used solely by the specified parties.

³¹The illustrative attestation reports include the examination report in example 1 of appendix A, "Examination Reports," of AT section 101, *Attest Engagements*, the review report in example 1 of appendix B, "Review Reports," of AT section 101, and the agreed-upon procedures report in paragraph .32 of AT section 201, *Agreed-Upon Procedures Engagements*. [Footnote renumbered, November 2020, effective for agreed-upon procedures reports dated on or after July 15, 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19.]

Examination Engagement

Independent Accountant’s Report³²

[Appropriate Addressee]

We have examined the *[identify the subject matter — for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*. XYZ Company’s management is responsible for the schedule of investment returns **in accordance with (or based on) [identify criteria — for example, the ABC criteria set forth in Note 1]**. Our responsibility is to express an opinion **on [identify the subject matter, for example, the schedule of investment returns]** based on our examination.

Our examination was conducted in accordance with ***the standards of the Public Company Accounting Oversight Board (United States) and in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [identify the subject matter, for example, the schedule of investment returns] is in accordance with (or based on) the criteria, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of [identify the subject matter, for example, the schedule of investment returns], whether due to fraud or error. The procedures*** and, accordingly, included examining, on a test basis, evidence supporting *[identify the subject matter — for example, XYZ Company’s schedule of investment returns]* and performing such other procedures as we considered necessary in the circumstances. We believe that the evidence we obtained in our examination ***is sufficient and appropriate to provide*** a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

[Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria.]

[Additional paragraph(s) may be added to emphasize certain matters relating to the attestation engagement or the subject matter.]

In our opinion, *[identify the subject matter, for example, the schedule of investment returns]* ***is presented*** presents, in all material respects, *[identify the subject matter — for example, the investment returns of XYZ Company for the year ended December 31, 20XX]* ***in accordance with (or based on) [identify criteria — for example, the ABC criteria set forth in Note 1], in all material respects.***

[Practitioner’s signature]

³²A firm registered with the PCAOB may use the title “Report of Independent Registered Public Accounting Firm,” or another appropriate title that includes the word “independent.”

[City and state where the practitioner’s report is issued]

Practitioner’s city and state

[Date of practitioner’s report]

Review Engagement

Independent Accountant’s Report³³

[Appropriate Addressee]

We have reviewed the *[identify the subject matter — for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*. XYZ Company's management is responsible for the *[identify the subject matter — for example, the schedule of investment returns]* **in accordance with (or based on) [identify criteria — for example, the ABC criteria set forth in Note 1]. Our responsibility is to express a conclusion on the schedule of investment returns based on our review.**

Our review was conducted in accordance with ***the standards of the Public Company Accounting Oversight Board (United States) and in accordance with*** attestation standards established by the AICPA. ***Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to [identify the subject matter — for example, the schedule of investment returns] in order for it to be in accordance with (or based on) the criteria. The procedures performed in A a review vary in nature and timing from and are*** is substantially less in scope ***extent*** than an examination, the objective of which is ***to obtain reasonable assurance about whether [identify the subject matter — for example, XYZ Company's schedule of investment returns] is in accordance with (or based on) the criteria, in all material respects and*** the expression of an opinion on *[identify the subject matter — for example, XYZ Company's schedule of investment returns]* and to obtain reasonable assurance about whether *[identify the subject matter— for example, XYZ Company's schedule of investment returns]* is in accordance with (or based on) the criteria, in all material respects. Accordingly, we do not express such an opinion. ***Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.***

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

[Include a description of the work performed as a basis for the practitioner’s conclusion.]

[Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria.]

[Additional paragraph(s) may be added to emphasize certain matters relating to the attestation engagement or the subject matter.]

³³See footnote 32.

Based on our review, ~~nothing came to our attention that caused us to believe that the~~***we are not aware of any material modifications that should be made to*** [identify the subject matter — for example, schedule of investment returns of XYZ Company for the year ended December 31, 20XX] ~~is~~***in order for it to be in accordance with (or based on)*** ~~not presented, in all material respects, in conformity with~~ [identify the criteria — for example, the ABC criteria set forth in Note 1].

[Practitioner's signature]

[City and state where the practitioner's report is issued]

Practitioner's city and state

[Date of practitioner's report]

Agreed-Upon Procedures Engagement

Independent Accountant’s Report on Applying Agreed-Upon Procedures³⁴

[Appropriate Addressee]:

We have performed the procedures enumerated below, which were agreed to by the audit committees and managements of ABC Inc. and XYZ Fund, solely to assist you in evaluating the accompanying Statement of Investment Performance Statistics of XYZ Fund (prepared in accordance with the criteria specified therein) for the year ended December 31, 20X1. ***These parties have also acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in evaluating the accompanying Statement of Investment Performance Statistics of XYZ Fund.***³⁵ ***This report may not be suitable for any other purpose.***³⁶ ***The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.***³⁷ XYZ Fund's management is responsible for the statement of investment performance statistics. ***We were engaged by XYZ Fund to perform this agreed-upon procedures engagement.***³⁸ This agreed-upon procedures engagement was conducted in accordance with ***the standards of the Public Company Accounting Oversight Board (United States) and in accordance with*** attestation standards established by the AICPA. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

[Include paragraphs to enumerate procedures and findings.]

We were not engaged to and did not conduct an examination ***or a review engagement***, the objective of which would be the expression of an opinion ***or conclusion, respectively***, on the accompanying Statement of Investment Performance Statistics of XYZ Fund ***for the year ended December 31, 20XX***. 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.

³⁴See footnote 32.

³⁵Paragraph .34f of section 215 requires that the practitioner’s agreed-upon procedures report include a statement that the engaging party acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement.

³⁶Paragraph .34h of section 215 requires that the practitioner’s agreed-upon procedures report include a statement that the practitioner’s report may not be suitable for any other purpose.

³⁷Paragraph .34i of section 215 requires that the practitioner’s agreed-upon procedures report include a statement that the procedures performed may not address all items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

³⁸Paragraph .34c of section 215 requires that the practitioner’s agreed-upon procedures report include an identification of the engaging party.

We are required to be independent of XYZ Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.³⁹

This report is intended solely for the information and use of the audit committees and managements of ABC Inc. and XYZ Fund, and is not intended to be and should not be used by anyone other than these specified parties.

[Practitioner's signature]

[City and state where the practitioner's report is issued]

Practitioner's city and state]

[Date of practitioner's report]

[Issue Date: May 2017. Revised: February 2018. Revised, November 2020, effective for agreed-upon procedures reports dated on or after July 15, 2021, to reflect conforming changes necessary due to the issuance of SSAE No. 19. Revised, June 2022, to reflect conforming changes necessary due to the issuance of SSAE Nos. 21 and 22.]

³⁹Paragraph .34r of section 215 requires that the practitioner's agreed-upon procedures report include a statement that the practitioner is required to be independent of the responsible party and to meet the practitioner's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the agreed-upon procedures engagement.