

Defining ALTA Best Practice Approaches



As the American Land Title Association's (ALTA) Best Practices are fast becoming an industry standard, it is important for title and settlement agents to understand the types of recognized engagements that accounting practitioners can perform and that mortgage lenders will accept. The American Institute of Certified Public Accountants (AICPA) released non-authoritative Technical Questions and Answers that describe four types of acknowledged engagements: examinations, reviews, agreed-upon procedures, and consulting engagements. Some lenders may also consider allowing a title agent's self-certification in some instances.

PYA provides all the engagement types identified by the AICPA for, and on behalf of, title and settlement agents. The following table provides a comparison of each engagement type.

Engagement Type	Engagement Pricing	Activities Performed by a Third Party											
		Read relevant policies & procedures	Make inquiries of appropriate personnel	Inspect documents & records	Onsite visit	Substantive testing of policies & procedures	Observation of Best Practices implementation	Observation of GLBA implementation	Assessment conclusion per ALTA Framework	Assessment conclusion per GLBA regulation	Attest opinion on management's assertion	Assessment performed by PYA	
SOC Cybersecurity, SOC 2 (SSAE16),³ or Examination¹	\$\$\$\$\$	✓	✓	✓	✓	✓	✓	Optional	Optional	✓	✓		Highest level of assurance. Extent of testing and sample sizes determined on a discretionary basis by the accounting practitioner in relation to the practitioner's assessed risk as to expressing an opinion on management's assertion. Can only be performed by a CPA. Examiner's opinion could be "clean," "adverse," or otherwise modified as appropriate.
Certification A⁺²	\$\$\$	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		Engagement is based on ALTA Best Practices Assessment criteria and FFIECs requirements for Gramm-Leach-Bliley Act (GLBA) compliance. Result is an assessment conclusion based on ALTA's definition of "Optimized." The GLBA testing is the same approach used by lenders to demonstrate information security compliance to regulators.
Certification²	\$\$	✓	✓	✓	✓	✓	✓	Optional	✓	Optional		✓	Engagement is based on ALTA Best Practices Assessment criteria established in ALTA Best Practices Framework. Result is an assessment conclusion based on ALTA's definition of "Optimized." ⁵
Agreed-Upon Procedures¹	\$\$\$	✓	✓	✓	✓	✓	✓						Title agent and CPA agree to a set of procedures that meet the needs of the title agent. Engagement does <u>not</u> result in an opinion or an assessment conclusion.
Review¹	\$	✓	✓										A review is substantially less in scope than an examination or certification and is limited to reading relevant policies and procedures and making inquiries - no observation or substantive testing required.
Self-Certification	N/A											✓ ⁶	<u>No</u> level of assurance from a third party. Self-assessments may lack objectivity.

CHART REFERENCES: ¹ Performed in accordance with American Institute of Certified Public Accountants Attest Standards.
² Performed in accordance with American Institute of Certified Public Accountants Consulting Services Standards.
³ AICPA Technical Questions and Answers do not specifically mention SOC 2 (SSAE16) reports, but some lenders have requested this type of engagement.
⁴ Gramm-Leach-Bliley Act (GLBA) testing is the same approach used by lenders to demonstrate information security compliance to regulators.
⁵ Optimized is defined by ALTA within the Best Practices Framework version 2.5, dated October 7, 2016.
⁶ PYA can assist clients seeking self-certification.