



May 24, 2016

To: MRC Audit Firms

From: David Gunzerath

cc: George Ivie, Anthony Torrieri, Ron Pinelli, Rachel Morris, Albana Gashi, Carol Gonzalez (MRC)
MRC Executive Committee

re: Updates to MRC Policies on Pre-Audits

The purpose of this memorandum is to inform you of two policies we have recently instituted concerning MRC pre-audits. These are supplemental to the policy we articulated on December 11, 2014, that requires first time digital auditees to submit to an MRC-sanctioned pre-audit process; that policy remains in place.

Pre-Audit Structure Policy

The first policy concerns the structure of pre-audit engagements. In the past, we have not required that the pre-audit be executed contractually in a similar manner to an MRC audit, in that MRC is the engaged party and sits in the middle of the financial transaction between the audit firm and the audited organization. While many MRC pre-audits historically have been structured in this manner, we will be instituting this as a requirement going forward. Our primary reasoning for this is that it ensures that MRC Staff is fully informed about the details of the pre-audit, and is able to serve in its oversight role in an effective and appropriate manner for all pre-audits that are sanctioned by MRC.

Organizations that desire a pre-assessment function that does not involve MRC in this manner will not be considered to be officially “in process” with MRC and may not represent themselves as such, either publicly or privately. In addition, organizations must still follow our policy that requires a sanctioned MRC pre-audit to be performed for first-time digital auditees, even if they have already engaged in a pre-assessment process with an auditor that did not follow the above-prescribed parameters. Finally, if an existing pre-audit has been formally initiated prior to the date of this memorandum that does not comply with this policy, this situation should be brought to the attention of the MRC Staff immediately, and we will make an assessment of the individual circumstance to determine what steps need to be taken.

SIVT Pre-Audit Eligibility Policy

The second policy of which we would like to inform you concerns pre-audits of digital organizations’ Sophisticated Invalid Traffic (SIVT, a/k/a fraud detection) processes. As you undoubtedly are aware, with the October 2015 issuance of MRC’s *Invalid Traffic Detection and Filtration Guidelines Addendum*, a path now exists for digital organizations to gain MRC accreditation of enhanced IVT processes and procedures. We have had inquiries from several organizations seeking pre-audits specific to this area, which has led us to formalize the following policy concerning pre-auditing of organizations for their SIVT processes.

Organizations that have not been audited before by MRC are eligible for pre-audits of their SIVT processes, in addition to any other eligible measurements for which they seek accreditation; in fact, in these instances, a pre-audit is required under our aforementioned December 2014 policy. Organizations that have been previously audited by MRC are not eligible for an SIVT pre-audit, as, to some extent, their

IVT filtration practices have been reviewed in the past by MRC. Organizations that are accredited or have been previously audited by MRC and desire also to gain accreditation for SIVT detection and filtration must submit these procedures directly to a full audit, and are subject to all procedures (i.e., exposure to an audit committee) that accompany that process.

Note on MRC's policy regarding a formal acknowledgement of SIVT audits as "In Process": MRC will not publicly acknowledge that a service is officially "in process" for SIVT accreditation consideration (including through a listing on the MRC web site) until we have received a preliminary indication from our engaged auditor, based on its initial review of the service, that the service does, in fact, have a reasonable level of capability to be compliant with the *IVT Guidelines* in this regard. This policy is to guard against the possibility that MRC could provide misleading information to the marketplace concerning a service's capacity to provide SIVT functionality, which we recognize that not all digital measurement providers will be able to do. The simple act of applying for MRC accreditation for SIVT will not automatically result in MRC conveying "in process" status to the service; we will look to our auditor to provide us with a preliminary read that the service does, in fact, have a reasonable level of capability to provide this function as MRC has defined it in the *IVT Guidelines*.

Next Steps

The above policies apply to all MRC engagements moving forward. Please do not hesitate to direct any questions you may have about these policies or their application to me or to another member of the MRC Staff.

Thank you for all your efforts on behalf of MRC, and we look forward to continuing our work with you into the future.