

## NEWS RELEASE

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### EMPLOYEE BENEFIT PLANS CAN EXPECT INCREASED TRANSPARENCY IN THE QUALITY OF FINANCIAL REPORTING CONTROLS, AICPA SAYS

#### Plan Advisory Available on Effective Monitoring of Outsourced Plan Recordkeeping and Reporting Functions

Washington, DC (July 31, 2007) – Employee benefit plans can expect increased transparency in the quality of their internal controls over financial reporting as a result of new CPA audit requirements, according to the American Institute of Certified Public Accountants (AICPA). Beginning with this year’s audits, CPA firms that audit employee benefit plan financial statements are required to communicate in writing any significant deficiencies or material weaknesses in internal controls over the plan’s financial reporting noted during the annual independent audit.

The new professional standard, Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, issued by the Auditing Standards Board of the AICPA, an independent body that sets professional auditing standards, requires CPA firms to make these written communications to plan management and others charged with plan governance.

This new audit requirement will likely have a significant impact on employee benefit plan accountability over the financial reporting process, according to Anita Baker, the chair of the AICPA Employee Benefit Plan Audit Quality Center (EBPAQC) Executive Committee who is with LarsonAllen LLP in Fountain Hills, Arizona. “A plan fiduciary’s responsibility under ERISA includes ensuring that the plan has adequate controls in place to provide accurate and complete financial reporting. SAS 112 communications will improve the information available to plan sponsors, trustees, and administrators to help them fulfill their fiduciary responsibilities,” according to Baker.

Most employee benefit plans can expect to receive a SAS 112 communication from their CPA firm, says David Evangelista, an EBPAQC Executive Committee member who is with Goldstein Lieberman & Company LLC in Mahwah, New Jersey. “Plan administrators and trustees should be proactive and contact their CPA firm and inquire about the new communication requirement and whether the plan should expect to receive a SAS 112 letter,

what control deficiencies the auditor has identified and any recommendations to improve the plan's internal controls. This will allow plan administrators and trustees additional time to evaluate the cost/benefit implications of improving their internal control in conjunction with their fiduciary duty to the plan," Evangelista said. Situations requiring written communication could include, for example, plan management not having sufficient knowledge and understanding of the plan's financial statements, the auditor needing to propose significant adjusting accounting entries, a lack of segregation of accounting duties, an inability of plan management to properly monitor and value plan investments, and inadequate plan management oversight over plan recordkeeping and reporting by a third-party administrator.

"A plan's financial reporting controls should include an effective monitoring program over third-party service providers that provide plan recordkeeping and reporting services," according to Marilee Lau, an EBPAQC member and the chair of the AICPA Employee Benefit Plan Expert Panel who is with KPMG LLP in San Francisco. The AICPA's Employee Benefit Plan Audit Quality Center has developed a Plan Advisory *Effective Monitoring of Outsourced Plan Recordkeeping and Reporting Functions*, which contains useful information for selecting and monitoring service providers, and addresses the quality of plan accounting information and monitoring third-party administrator controls over plan accounting information. "The Plan Advisory is a very helpful tool for plan administrators in understanding their responsibilities and the benefits of effective monitoring of outsourced activities," Lau said. The Plan Advisory is available at <http://ebpaqc.aicpa.org/Resources/Plan+Advisory> .

#### About the EBPAQC:

The AICPA Employee Benefit Plan Audit Quality Center (EBPAQC) is a firm-based voluntary membership center of over 1,350 CPA firms across the country that audit employee benefit plans subject to ERISA, including 401(k) plans, pension, and health and welfare plans. The EBPAQC has a dedicated website ([www.aicpa.org/EBPAQC](http://www.aicpa.org/EBPAQC)) which has valuable resources on employee benefit plan financial reporting and auditing matters.

#### About the AICPA:

The American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org)) is the national, professional association of CPAs, with approximately 330,000 members, including CPAs in business and industry, public practice, government, and education. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It also develops and grades the Uniform CPA Examination.

Headquartered in New York, the AICPA also maintains offices in Washington, D.C.; Durham, N.C.; and Lewisville, TX.

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