



## Agenda Item 4A

### AU-C Section XXX

#### **Proposed Statement on Auditing Standards, *Special Considerations—Audits of Financial Statements of Employee Benefit Plans Subject to ERISA***

**Effective for audits of financial statements for periods ending on or after December 15, 20XX.**

<b>REQUIREMENTS</b>	<b>APPLICATION AND OTHER EXPLANATORY MATERIAL</b>
<b>Introduction</b>	
<b>Scope of This Proposed SAS</b>	<b>Scope of This Proposed SAS</b>
.01 AU-C sections 200-700 apply to an audit of financial statements. This proposed SAS addresses special considerations in the application of those AU-C sections to an audit of financial statements of employee benefit plans subject to the financial reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA). It also addresses the form and content of the auditor’s report issued as a result of an audit of financial statements of employee benefit plans subject to ERISA (ERISA plans), including reporting on specific considerations of selected plan provisions. This proposed SAS does not purport to address all special considerations that may be relevant in the circumstances of the engagement.	.A1 ERISA provides for federal government oversight of management’s operating and reporting practices for employee benefit plans. In addition to establishing reporting requirements for covered plans, ERISA establishes minimum standards for participation, vesting, and funding for defined benefit and defined contribution plans sponsored by private entities. It also establishes standards of fiduciary conduct and imposes specific restrictions and responsibilities on fiduciaries.  .A2 Under ERISA, the DOL and IRS have the authority to issue regulations covering reporting and disclosure requirements and certain administrative responsibilities. The DOL does not have the authority to set generally accepted accounting principles for employee benefit plan financial statements. The PBGC guarantees participants in most defined benefit pension plans certain minimum pension benefits if the plan terminates, and it administers terminated plans in certain circumstances. The IRS, DOL, and PBGC have consolidated their reporting and disclosure requirements into the Form 5500 to minimize the filing burden for plan administrators and employers.
	.A3 ERISA contains a requirement for annual audits of employee benefit plan financial statements by an independent qualified public accountant. Generally, plans with 100 or more participants are subject to the audit requirement. ERISA and DOL regulations require

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	<p>additional information to be disclosed in the financial statements or presented in the supplemental schedules. Some of this information is required to be covered by the auditor’s report.</p>
<p>.02 Under certain circumstances, plan management may impose a limitation on the scope of the audit in accordance with ERISA Section 103(a)(3)(C) such that the audit need not extend to any statement or information prepared and certified by a bank or similar institution or an insurance carrier which is regulated, supervised, and subject to periodic examination by a State or Federal agency (qualified institution), provided that the statements or information regarding assets so held are prepared and certified to by the bank or insurance carrier in accordance with Title 29 U.S. Code of Federal Regulations (CFR) Part 2520.103-5.</p>	<p>.A4 A qualified institution is an organization as defined in accordance with 29 CFR 2520.103-5 and 29 CFR 2520.108-8 as a bank or similar institution or an insurance carrier that is regulated, supervised, and subject to periodic examination by a State or Federal agency that prepares and certifies the investment information of the plan. Title 29 CFR 2520.103-8 outlines the DOL’s rules and regulations for reporting and disclosure under ERISA.</p> <p>.A5 Further, this limitation on the scope of the audit is available to management only when the qualified institution certifies both the accuracy and completeness of the investment information submitted to the plan administrator. Certifications that address only accuracy or only completeness, but not both, do not comply with the DOL’s regulation and, therefore, are not adequate to allow plan management to limit the scope of the audit. Moreover, this scope limitation does not exempt the plan from the requirement to have an audit.</p> <p>.A6 This management imposed limitation on the scope of the audit and corresponding limitation on the auditor’s work extend only to the investments and related investment information prepared and certified by the qualified institution and does not extend to participant data, participant account balances and related earnings allocations, contributions, benefit payments, required financial statement disclosures, or other information, regardless of whether such information is included in the certified statement or information. It also, does not apply to information about investments held by a broker or dealer, or an investment company.</p> <p>.A7 The plan administrator may also limit the scope of the audit of the plan’s investment in a 103-12 entity, as permitted by 29 CFR 2520.103-12, provided the 103-12 investment entity properly filed its report with the DOL. Such limitation on the scope of the audit is similar to that permitted by 29 CFR 2520.103-5 and therefore the guidance in this proposed SAS is applicable, however the wording in the auditor’s report may need to be revised to fit the circumstances of the engagement.</p>

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	.A8 Sometimes, the plan’s recordkeeper certifies the investment information on behalf of the plan’s qualified institution as “agent for.” In this situation, such certification generally would be acceptable when there is a legal agreement between the trustee and the recordkeeper to be able to provide the certification on the qualified institution’s behalf.
.03 This proposed SAS addresses the reporting for audits of financial statements of ERISA plans, including when management imposes a limitation on the scope of the audit as permitted by 29 CFR 2520.103-5.	
.04 This proposed SAS is written in the context of a complete set of general purpose financial statements of ERISA plans.	
<b>Effective Date</b>	
.05 This proposed SAS is effective for audits of financial statements ERISA plans for periods ending on or after December 15, 20XX.	
<b>Objectives</b>	
.06 The objectives of the auditor when applying generally accepted auditing standards (GAAS) in an audit of financial statements of ERISA plans is to address appropriately the special performance and reporting considerations that are relevant to:	
a. The acceptance of the engagement	
b. Written representations	
c. Forming an opinion and reporting on financial statements of ERISA plans, including when management imposes a limitation on the scope of the audit as permitted by the Department of Labor’s (DOL) Rules and Regulations for Reporting and Disclosure Under ERISA.	
d. Reporting on specific considerations of selected plan provisions	

<p>.07 Reference to <i>financial statements</i> of ERISA plans in this proposed SAS means a complete set of general purpose financial statements for an employee benefit plan subject to ERISA, including the related notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.</p>	
<p><b>Requirements</b></p>	<p><b>Requirements</b></p>
<p><b>Considerations When Accepting the Employee Benefit Plan Engagement</b></p>	<p><b>Considerations When Accepting the Employee Benefit Plan Engagement</b></p>
<p>.08 AU-C section 210, <i>Terms of Engagement</i>, requires the auditor to agree upon the terms of the audit engagement with management or those charged with governance, as appropriate. The agreed-upon terms of the audit engagement should be documented in an audit engagement letter or other suitable form of written agreement and should include, among other things, the responsibilities of management.<sup>1</sup></p>	<p>.A9 In an audit of financial statements of ERISA plans, the engagement letter (or other suitable form of written agreement) includes management responsibilities required by AU-C section 210 and may also include management’s responsibilities that are specific to an ERISA audit engagement. For example, management’s responsibilities for maintaining records for each employee, and if applicable, choosing to impose a limitation on the scope of the audit as permitted by ERISA, determining the appropriateness of the certification and determining that the certifying institution is qualified.</p> <p>.A10 The concept of an independent audit requires that the auditor not assume management’s responsibility for the preparation and fair presentation of the financial statements. When the auditor assists in drafting the financial statements, in whole or in part, based on information provided by management during the performance of the audit, such assistance is considered a nonattest service under the “Nonattest Services” subtopic (AICPA, Professional Standards, ET sec 1.295) under the “Independence Rule” (AICPA, Professional Standards, ET sec. 1.200.001) of the AICPA Code of Professional Conduct. Before performing nonattest services, the auditor is required to establish and document in writing his or her understanding with the client regarding the objectives of the engagement, services to be performed, client’s</p>

<sup>1</sup> Paragraph .10 of AU-C section 210, *Terms of Engagement*

	acceptance of its responsibilities, auditor’s responsibilities, and any limitations of the engagement.
<b>Written Representations in an Employee Benefit Plan Engagement</b>	<b>Written Representations in an Employee Benefit Plan Engagement</b>
.09 AU-C section 580, <i>Written Representations</i> , requires the auditor to request written representations from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned. <sup>2</sup> This includes representations about the preparation and fair presentation of the financial statements, information provided and completeness of transactions, and other written representations. In an audit of financial statements of ERISA plans, the auditor should also request management to provide written representations that it	
a. Acknowledges its responsibility for determining that the plan’s transactions that are presented or disclosed in the financial statements are in conformity with the plan’s provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA sections 107 and 209, to determine the benefits due or which may become due to such participants	.A11 ERISA sections 401-404 establishes responsibilities and imposes restrictions on plan fiduciaries. ERISA section 209 (29 USC 1027 <i>Retention of Records</i> ) requires the maintenance of records by employers relating to individual benefit reporting. ERISA section 107 (29 USC 1059 <i>Recordkeeping and Reporting Requirements</i> ) provides general record retention requirements for employee benefit plans. ERISA requires that records be maintained in sufficient detail to permit the benefits to be properly calculated and paid when due.
b. Acknowledges its responsibility for the estimation methods and assumptions used in measuring the plan’s obligations	.A12 Defined benefit pension plans, including defined benefit health and welfare plans involve estimates relating to the plans benefit obligations or other postemployment benefits. Defined contribution retirement plans do not contain such estimates and therefore such management representation would not be necessary for a DC plan.
c. When management imposes a limitation on the scope of the audit as permitted by ERISA, acknowledges that the limitation on the scope of the audit does not affect its responsibility for the financial statements, and acknowledges its responsible for	

<sup>2</sup> Paragraph .09 of AU-C section 580, *Written Representations*.

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<ul style="list-style-type: none"> <li>i. determining whether they can impose such a limitation on the scope of the audit,</li> <li>ii. evaluating whether the certification is prepared by a qualified institution,</li> <li>iii. evaluating whether the certified investment information is complete and accurate,</li> </ul>	
<ul style="list-style-type: none"> <li>iv. determining whether the certified information is appropriately measured, presented and disclosed in accordance with accounting principles generally accepted in the United States of America</li> </ul>	
<p><b>Forming an Opinion and Reporting Considerations</b></p>	<p><b>Forming an Opinion and Reporting Considerations</b></p>
<p>.10 When forming an opinion and reporting on financial statements of ERISA plans, the auditor should apply the requirements in AU-C section 700, <i>Forming an Opinion and Reporting on Financial Statements</i>. When, in forming an opinion, the auditor concludes that a modification to the auditor’s opinion on the financial statements is necessary, the auditor should apply the requirements in AU-C section 705, <i>Modifications to the Opinion in the Independent Auditor’s Report</i>.</p>	<p>.A13 Paragraph .13 of AU-C 700 requires the auditor to form an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.</p> <p>.A14 In order to form that opinion Paragraph .14 of AU-C 700 requires the auditor to conclude whether the auditor had obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Among other things, that conclusion should take into account the auditor’s conclusion, in accordance with AU-C section 330, <i>Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained</i>, about whether sufficient appropriate audit evidence has been obtained. This applies regardless of whether management has limited the scope of the audit as permitted by ERISA.</p>
<p>.11 When management has imposed a limitation on the scope of the audit as permitted by ERISA, and there are no other limitations on the scope of the audit and no identified material misstatements of the financial statements exist, the auditor’s report, as discussed in paragraph .18, should be used. When there are other limitations on the scope of the audit, other than what is permitted by ERISA section 103(a)(C), or when the auditor had identified material misstatements of the financial statements of the ERISA plan, the use of the report in paragraph .18 is not a substitute for:</p>	<p>.A15 The plan administrator is an individual who is identified in the plan document as having responsibility for managing the day-to-day administration and strategic decisions for the plan. The plan administrator can be the employer, a committee of employees, a company executive, or someone hired for this purpose. For single employer plans, the plan administrator is considered part of management. For multiemployer plans those responsible for the plan may be more than management. This proposed SAS uses the term “management: to refer to the plan administrator in the DOL’s rules and regulations.</p>

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<p>a. The auditor expressing a qualified opinion, an adverse opinion, or disclaiming an opinion, when required by the circumstances of a specific audit engagement, (see AU-C 705) or</p>	
<p>b. Disclosures in the financial statements that the applicable financial reporting framework requires management to make.</p>	
<p>.12 Plans may hold investment assets, only a portion of which are covered by a certification by a qualified institution. In that case, the auditor should perform auditing procedures on the investment assets and related investment income that have not been properly certified.</p>	<p>.A16 The scope limitation and corresponding limitation of the auditor’s work extend only to investments and related investment information certified by the qualified institution. Plan investments not held by a qualified institution, such as real estate, leases, mortgages, self-directed brokerage accounts, participant loans, and any other investments or assets not covered by such an entity’s certification should be subjected to audit procedures to obtain sufficient appropriate audit evidence. Moreover, the need to perform audit procedures related to all noninvestment-related information (for example, benefit payments, employer or employee contributions, and receivables) is the same for an audit of all financial statements of ERISA plans, regardless of whether management imposes a limitation on the scope of the audit as permitted by ERISA. .</p>
<p>.13 If the auditor is unable to obtain sufficient appropriate audit evidence regarding noninvestment-related information or investment information not covered by a certification, then the auditor should apply the requirements in AU-C section 705, <i>Modifications to the Opinion in the Independent Auditor’s Report</i>, and the auditor’s report required in paragraph .18 should not be used.</p>	<p>.A17 If the auditor determines that the auditor’s report required by paragraph .18 is not appropriate in the circumstances, it may not be appropriate for the auditor to report on whether the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole or opine on the form and content of the supplemental schedules as presented in compliance with the DOL’s Rules and Regulations for Reporting and Disclosure Under ERISA, as discussed in paragraphs .20-.21.</p> <p>.A18 For example, the auditor issues a disclaimer of opinion because the plan did not maintain sufficient accounting records and supporting documentation relating to certain investments and the auditor was unable to apply auditing procedures sufficient to determine the extent to which the financial statements may have been affected. The auditor concluded that the effects could be material and pervasive. In such situations, it would not be appropriate for the auditor to provide an opinion on the supplemental schedules because AU-C section 725 precludes the auditor from</p>

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	expressing an opinion on supplementary information when the auditor’s report on the audited financial statements contains an adverse or a disclaimer of opinion. <sup>3</sup>
<b>Specific Considerations When Management Limits the Scope of the Audit as Permitted by ERISA</b>	<b>Specific Considerations When Management Limits the Scope of the Audit as Permitted by ERISA</b>
.14 The auditor should perform audit procedures to obtain sufficient appropriate audit evidence on the noninvestment-related information and investment information not covered by the certification.	.A19 Often the qualified institution will certify all activity of the plan. As discussed in paragraph .A16, the limitation on the scope of the audit as permitted by ERISA and corresponding limitation of the auditor’s work extend only to investments and related investment information certified by the qualified institution.
<i>Audit Procedures on the Certified Investment Information</i>	<i>Audit Procedures on the Certified Investment Information</i>
.15 In addition to the audit procedures performed on the noninvestment-related information and investment information not covered by a certification, in order to provide the opinion discussed in paragraph .18 on the financial statements of an ERISA plan, the auditor should perform the following procedures on the certified information:	.A20 Performing an audit of financial statements of an ERISA plan when management imposes a limitation on the scope of the audit as permitted by ERISA does not eliminate the need for the auditor to plan and perform the audit in accordance with GAAS.  .A21 Paragraph .07 of AU-C section 300 <i>Planning an Audit</i> requires the auditor to establish an overall audit strategy that sets the scope, timing, and direction of the audit and that guides the development of the audit plan. Planning the nature, timing, and extent of further audit procedures depends on the outcome of the auditor’s risk assessment procedures.
a. obtaining and reading a copy of the certification prepared by a qualified institution;	.A22 The certification from a qualified institution may be considered part of audit evidence relating to the certified investments when determining whether to use the form of opinion required in paragraph .18.  .A23 When designing and performing audit procedures, AU-C section 500 requires the auditor to consider the relevance and reliability of the information to be used as audit evidence. Audit evidence is necessary to support the auditor’s opinion and report. It is cumulative in nature and it is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources. In addition to other sources inside or outside the entity, the entity’s

<sup>3</sup> Paragraph .11 of AU-C 725 *Supplementary Information in Relation to the Financial Statements as a Whole*.



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	<p>accounting records are an important source of audit evidence. The quality of all audit evidence is affected by the relevance and reliability of the information upon which it is based. Obtaining a valid certification from a qualified institution provides the auditor with relevant and reliable information upon which to base the auditor's decision on whether the form of report in paragraph .18 is appropriate.</p> <p>.A24 Relevance relates to the logical connection with, or bearing upon, the purpose of the audit procedure and, when appropriate, the assertion under consideration. The reliability of information to be used as audit evidence and, therefore, of the audit evidence itself is influenced by its source and nature and the circumstances under which it is obtained, including the controls over its preparation and maintenance, when relevant.</p>
<p>b. evaluating management's assessment of whether the entity issuing the certification is a qualified institution under DOL rules and regulations;</p>	
<p>c. comparing the certified information with the related information included in the financial statements and related disclosures;</p>	<p>.A25 Agreeing or reconciling the certified information to the amounts included in the financial statements of the ERISA plan and related investment disclosures also includes the investment information included in the ERISA supplemental schedules. To the extent that such information cannot be agreed to or derived from the certified investment information then appropriate audit procedures would need to be performed on such information.</p>
<p>d. assessing whether the form and content of the financial statement disclosures related to the information prepared and certified by a qualified institution are in accordance with accounting principles generally accepted in the United States of America.</p>	<p>.A26 When management limits the scope of the audit as permitted by ERISA the auditor has no responsibility to test the accuracy or completeness of the investment information certified by the qualified institution, however the auditor may need to understand the types of investments held by the plan to evaluate whether the form and content of the ERISA plan's financial statement disclosures for those investments are in accordance with GAAP.</p>
	<p>.A27 The following are examples of procedures that may help the auditor evaluate whether the financial statement disclosures for the ERISA plan are appropriate in the circumstances:</p>

	<ul style="list-style-type: none"> <li>a. Obtaining an understanding, through inquiry and inspection of supporting documentation, of the types of investments held by the ERISA plan and the methodology for measuring those investments</li> <li>b. Inquiring whether the investments included in the certification are measured, presented and disclosed in accordance with GAAP as of the appropriate date.</li> <li>c. Inquiring of management about how investments at fair value are leveled in the fair value hierarchy table</li> <li>d. Consider the appropriateness of the classification of investments by the trustee in the financial statements.</li> </ul>
<p>.16 Although the auditor is not required to audit certain investment information when management limits the scope of the audit as permitted by ERISA, if the auditor becomes aware that the certified information is incomplete, inaccurate, or otherwise unsatisfactory, the auditor should perform further inquiry, which might result in additional audit procedures or modification to the auditor’s opinion in accordance with AU-C section 705.</p>	
<p><b>Auditor’s Report</b></p>	<p><b>Auditor’s Report</b></p>
<p><i>Auditor’s Report on Financial Statements for ERISA Plans (When Management has not Imposed a Limitation on the Scope of the Audit)</i></p>	<p><i>Auditor’s Report on Financial Statements for ERISA Plans (When Management has not Imposed a Limitation on the Scope of the Audit)</i></p>
<p>.17 AU-C section 700 addresses the form and content of the auditor’s report. In the case of an auditor’s report on financial statements for an ERISA plan, the auditor’s report should be in writing and include the following elements:</p>	<p>.A28 Exhibit A, “Illustrations of Auditor’s Reports on Financial Statements for ERISA Plans” contains illustrations of auditor’s reports on financial statements for ERISA plans.</p>
<ul style="list-style-type: none"> <li>a. <i>Title</i>. The auditor’s report should have a title that includes the word independent to clearly indicate that is the report of an independent auditor.</li> </ul>	<p>.A29 A title indicating the report is the report of an independent auditor (for example, “Independent Auditor’s Report”) affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor’s report from reports issued by others. Section 200 provides guidance on reporting when the auditor is not independent.</p>

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<p>b. <i>Addressee</i>. The auditor’s report should be addressed as required by the circumstances of the engagement.</p>	<p>.A30 The auditor’s report is normally addressed to those for whom the report is prepared. The report may be addressed to the entity whose financial statements are being audited or to those charged with governance. A report on the financial statements of an unincorporated entity may be addressed as circumstances dictate (for example, to the partners, general partner, or proprietor). Occasionally, an auditor may be retained to audit the financial statements of an entity that is not a client; in such a case, the report may be addressed to the client and not to those charged with governance of the entity whose financial statements are being audited.</p> <p>.A31 For ERISA plans, the report may be addressed to the plan or trust whose financial statements are being audited, the plan administrator or board of trustees, or participants and beneficiaries.</p>
<p>c. <i>Introductory Paragraph</i>. The introductory paragraph in the auditor’s report should</p> <ol style="list-style-type: none"> <li>i. Identify the entity whose financial statements have been audited,</li> <li>ii. State that the financial statements have been audited,</li> <li>iii. Identify the title of each statement that the financial statements comprise, and</li> <li>iv. Specify the date or period covered by each financial statement that the financial statements comprise</li> </ol>	<p>.A32 Paragraphs A20-A22 of AU-C section 700 provides application guidance relating to the introductory paragraph that may be relevant to ERISA plans.</p>
<p>d. <i>Management’s Responsibility for the Financial Statements of an Employee Benefit Plan Subject to ERISA</i>. The auditor’s report should include</p> <ol style="list-style-type: none"> <li>i. a section with the heading “Management’s Responsibility for the Financial Statements of an Employee Benefit Plan Subject to ERISA”</li> </ol>	
<ol style="list-style-type: none"> <li>ii. a description of management’s responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation, and</li> </ol>	<p>.A33 AU-C section 200 explains the premise relating to the responsibilities of management and, when appropriate, those charged with governance on which an audit in accordance with GAAS is</p>

<p>maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.</p>	<p>conducted.<sup>4</sup> Management and, when appropriate, those charged with governance accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including their fair presentation. Management also accepts responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The description of management’s responsibilities in the auditor’s report includes reference to both responsibilities because it helps explain to users the premise on which an audit is conducted. Management has additional responsibilities when arranging for an audit of financial statements of employee benefit plans subject to ERISA due to the regulatory nature of such plans.</p> <p>.A34 Paragraph .28 of AU-C 700 requires the description about management’s responsibility for the financial statements in the auditor’s report to not be referenced to a separate statement by management about such responsibilities if such a statement is included in a document containing the auditor’s report.</p>
<p>iii. a statement that it is responsible for administering the plan and determining that the plan’s transactions that are presented or disclosed in the financial statements are in conformity with the plan’s provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA section 107 and 209, to determine the benefits due or which may become due to such participants.</p>	
<p>iv. A statement that management is responsible for the estimation methods and assumptions used in measuring the plan’s obligations, for defined benefit pension plans.</p>	
<p>e. <i>Auditor’s Responsibility.</i> The auditor’s report should include a section with the heading “Auditor’s Responsibility.” The description</p>	<p>.A35 The auditor’s report states that the auditor’s responsibility is to express an opinion on the financial statements based on the audit in order to contrast it to</p>

<sup>4</sup> Paragraphs .04 and .A2 of AU-C section 200.

<p>about the auditor’s responsibility in an audit of ERISA plan financial statements should include</p> <ul style="list-style-type: none"> <li>i. A statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.</li> <li>ii. A statement that the audit was conducted in accordance with generally accepted auditing standards and should identify the United States of America as the country of origin of those standards. The auditor’s report should also explain that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.</li> <li>iii. describe an audit by stating that             <ul style="list-style-type: none"> <li>1. an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.</li> <li>2. the procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control, and accordingly, no such opinion is expressed.</li> <li>3. an audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made</li> </ul> </li> </ul>	<p>management’s responsibility for the preparation of the financial statements.</p> <p>.A36 The reference to the standards used conveys to the users of the auditor’s report that the audit has been conducted in accordance with established standards. For example, the auditor’s report may refer to auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards.</p> <p>.A37 In accordance with AU-C section 200, the auditor does not represent compliance with GAAS in the auditor’s report, unless the auditor has complied with the requirements of section 200 and all other AU sections relevant to the audit.</p>
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<p>by management, as well as the overall presentation of the financial statements.</p> <p>In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor should omit the phrase that the auditor’s consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control, and accordingly, no such opinion is expressed.</p> <p>iv. A statement whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor’s opinion.</p>	
<p>f. <i>Auditor’s Opinion.</i> The auditor’s report should include a section with the heading “Opinion.” When expressing an unmodified opinion on financial statements, the auditor’s opinion should state that the financial statements present fairly, in all material respects, the net assets available for benefits [<i>and of accumulated plan benefits</i>] of the [<i>name of plan</i>] as of the date of the statement of changes in net assets and the statement of change in net assets available for benefits results of its operations and its cash flows for the period then ended, in accordance with the applicable financial reporting framework. The auditor’s opinion should identify the applicable financial reporting framework and its origin.</p>	<p>Description of Information That the Financial Statements Present</p> <p>.A38 The auditor’s opinion states that the financial statements present fairly, in all material respects, the information that the financial statements are designed to present.</p> <p>.A39 The title of the financial statements identified in the introductory paragraph of the auditor’s report (see paragraph .25) describes the information that is the subject of the auditor’s opinion.</p> <p>Description of the Applicable Financial Reporting Framework and How It May Affect the Auditor’s Opinion</p> <p>.A40 The identification of the applicable financial reporting framework in the auditor’s opinion is intended to advise users of the auditor’s report of the context in which the auditor’s opinion is expressed; it is not intended to limit the evaluation required in paragraph .17 of AU-C 700. For example, the applicable financial reporting framework may be identified as accounting principles generally accepted in the United States of America or U.S. generally accepted accounting principles or International Financial Reporting Standards promulgated by the International Accounting Standards Board (IASB) or International Financial Reporting Standard for Small and Medium-Sized Entities promulgated by the IASB.</p>

<p>g. <i>Signature of the Auditor.</i> The auditor’s report should include the manual or printed signature of the auditor’s firm.</p>	<p>.A41 In certain situations, the auditor’s report may be required by law or regulation to include the personal name and signature of the auditor, in addition to the auditor’s firm. In addition to the auditor’s signature, in certain circumstances, the auditor may be required to declare in the auditor’s report the auditor’s professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority.</p>
<p>h. <i>Auditor’s Address.</i> The auditor’s report should name the city and state where the auditor practices.</p>	<p>.A42 In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.</p>
<p>i. <i>Date of the Auditor’s Report.</i> The auditor’s report should be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor’s opinion on the financial statements, including evidence that</p> <ul style="list-style-type: none"> <li>• the audit documentation has been reviewed;</li> <li>• all the statements that the financial statements comprise, including the related notes, have been prepared; and</li> <li>• management has asserted that they have taken responsibility for those financial statements.</li> </ul>	<p>.A43 The date of the auditor’s report informs the user of the auditor’s report that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor’s responsibility for events and transactions after the date of the auditor’s report is addressed in AU-C 560.</p> <p>.A44 AU-C 220, <i>Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards</i>, requires that on or before the date of the auditor’s report, the engagement partner, through a review of the audit documentation and discussion with the engagement team, be satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor’s report to be issued.<sup>5</sup> AU-C 220 also requires that the auditor’s report not be released prior to the completion of the engagement quality control review.</p> <p>.A45 Because the auditor’s opinion is provided on the financial statements, and the financial statements are the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements that the financial statements comprise, including the related notes, have been prepared, and management has accepted responsibility for them.</p>

<sup>5</sup> AU-C 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*, paragraph .19 and .A17.

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<i>Report on ERISA Plan Financial Statements When Management Limits the Scope of the Audit As Permitted by ERISA</i>	<i>Report on ERISA Plan Financial Statements When Management Limits the Scope of the Audit As Permitted by ERISA</i>
.18 AU-C section 700 addresses the form and content of the auditor’s report. In the case of an auditor’s report on financial statements of an ERISA plan when management limits the scope of the audit, as permitted by ERISA, the auditor’s report should be in writing and include the following elements	
a. <i>Title.</i> The auditor’s report should have a title that includes the word independent to clearly indicate that it is the report of an independent auditor.	
b. <i>Addressee.</i> The auditor’s report should be addressed as required by the circumstances of the engagement.	
c. <i>Introductory Paragraph.</i> The Introductory paragraph should	
i. Identify the entity whose financial statements have been audited	
ii. State that the auditor performed an audit subject to the limitation on the scope of the audit imposed by management, as permitted by ERISA.	
iii. Identify the title of each statement that the financial statements comprise, and	
iv. Specify the date or period covered by each statement that the financial statements comprise	
d. <i>Basis for Limitation on the Scope of the Audit.</i> The auditor’s report should include a section with the heading “Basis for Limitation on the Scope of the Audit.” This section should include:  i. An explanation that as permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security	.A46 The explanation about the DOL rules and regulations for reporting and disclosure under ERISA may need to be changed to the circumstances of the engagement when management imposes the limitation on the scope of the audit as permitted by 29 CFR 2520.103-12.



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<p>Act of 1974, management imposed a limitation on the scope of the audit. Under the authority of section 103(a)(3)(C) of ERISA, the audit need not extend to any statement or information prepared and certified by a bank or similar institution or insurance carrier which is regulated and supervised and subject to periodic examination by a State or Federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank or insurance carrier in accordance with 29 CFR 2520.103-5.</p> <p>ii. A statement that the auditor has been informed by management that a qualified institution holds the investments and executes investment transactions.</p> <p>iii. A statement that management has obtained a certification from the qualified institution stating that the investment information is complete and accurate for the period under audit.</p>	
<p>e. <i>Management’s Responsibility for Financial Statements and the Limitation on the Scope of the Audit.</i> The auditor’s report should include</p> <p>i. a section with the heading “Management’s Responsibility for the Financial Statements and the Limitation on the Scope of the Audit.”</p>	
<p>ii. A description of management’s responsibility for the preparation and fair presentation of the financial statements. The description should include an explanation that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of</p>	<p>.A47 AU-C section 200 explains the premise relating to the responsibilities of management and, when appropriate, those charged with governance on which an audit in accordance with GAAS is conducted.<sup>6</sup> Management and, when appropriate, those charged with governance accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including their fair presentation. Management also accepts responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial</p>

<sup>6</sup> Paragraphs .04 and .A2 of section 200.

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<p>financial statements that are free from material misstatement, whether due to fraud or error.</p>	<p>statements that are free from material misstatement, whether due to fraud or error. The description of management’s responsibilities in the auditor’s report includes reference to both responsibilities because it helps explain to users the premise on which an audit is conducted. Management has added responsibilities when auditing financial statements of ERISA plans due to the specialized characteristics of such plans.</p> <p>.A48 Paragraph .28 of AU-C 700 requires the description about management’s responsibility for the financial statements in the auditor’s report to not be referenced to a separate statement by management about such responsibilities if such a statement is included in a document containing the auditor’s report.</p>
<p>iii. a statement that management is also responsible for determining whether a limitation on the scope of the audit is permissible in the circumstances, in accordance with ERISA, including</p> <ul style="list-style-type: none"> <li>• evaluating whether the certification is prepared by a qualified institution, and</li> <li>• evaluating whether the certified investment information is complete and accurate.</li> </ul>	
<p>iv. a statement that the limitation on the scope of the audit does not affect management’s responsibility for the financial statements and management is responsible for determining whether the certified investment information is appropriately measured, presented and disclosed in accordance with accounting principles generally accepted in the United States of America.</p>	
<p>v. a statement that management is also responsible for administering the plan and determining that the plan’s transactions that are presented or disclosed in the financial statements are in conformity with the plan’s provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA sections 107 and</p>	

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<p>209, to determine the benefits due or which may become due to such participants.</p>	
<p>vi. A statement that management is responsible for the estimation methods and assumptions used in measuring the plan’s obligations for defined benefit pension plans.</p>	
<p>f. <i>Auditor’s Responsibility for an Audit of ERISA Plan Financial Statements (When Management Limits the Scope of the Audit as permitted by ERISA).</i> The auditor’s report should include a section with the heading “Auditor’s Responsibility (Including Responsibility for the Certified Investment Information).” The description about the auditor’s responsibility should include</p> <p>i. A statement that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.</p> <p>ii. A statement that the audit was conducted in accordance with generally accepted auditing standards and should identify the United States of America as the country of origin of those standards. The auditor’s report should also explain that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.</p>	
<p>iii. describe an audit by stating that</p> <ul style="list-style-type: none"> <li>• an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.</li> <li>• the procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control</li> </ul>	

<p>relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control, and accordingly, no such opinion is expressed.</p> <ul style="list-style-type: none"> <li>• an audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.</li> </ul> <p>In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor should omit the phrase that the auditor’s consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control, and accordingly, no such opinion is expressed.</p>	
<p>iv. A statement that with the respect to the certified investment information that management instructed the auditor not to audit, the auditor did not assess the risks of material misstatement nor did the auditor consider internal control over the certified investment information, and that the procedures were limited to:</p> <ul style="list-style-type: none"> <li>• obtaining and reading the certification</li> <li>• evaluating management’s assessment of whether the entity issuing the certification is a qualified institution under ERISA</li> <li>• comparing the certified investment information with the related information presented or disclosed in the financial statements</li> <li>• assessing whether the form and content of the certified investment information</li> </ul>	

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<p>presented or disclosed in the financial statements is in accordance with accounting principles generally accepted in the United States of America</p>	
<p>v. A statement that other than the certified investment information, the audit procedures were not limited for other amounts and disclosures in the financial statements.</p>	
<p>vi. A statement whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor’s opinion on the financial statements with the ERISA-permitted audit scope limitation.</p>	
<p>g. <i>Auditor’s Opinion.</i> The auditor’s opinion on ERISA plan financial statements when management imposes a limitation on the scope of the audit as permitted by ERISA should include</p> <p>i. a section with the heading “Auditor’s Opinion on the Financial Statements With the ERISA-Permitted Audit Scope Limitation.”</p>	
<p>ii. When the ERISA-permitted limitation is the only limitation on the scope of the audit and the auditor has not identified any material misstatements, a statement that in the auditor’s opinion, with the exception of the possible effects of the limitation on the scope of the audit described in the <i>Basis for Limitation on the Scope of the Audit</i> section, the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.</p> <p>iii. The auditor’s opinion should identify the applicable financial reporting framework and its origin.</p>	<p>.A49 As required by paragraph .17 of AU-C 700, the auditor’s evaluation about whether the financial statements achieve fair presentation includes consideration of (a) the overall presentation, structure, and content of the financial statements, and (b) whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.</p>
<p>h. <i>Signature of the Auditor.</i> The auditor’s report should include the manual or printed signature of the auditor’s firm.</p>	

<p>i. <i>Auditor’s Address.</i> The auditor’s report should name the city and state where the auditor practices.</p>	
<p>j. <i>Date of the Auditor’s Report.</i> The auditor’s report should be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor’s opinion on the financial statements, including evidence that</p> <ul style="list-style-type: none"> <li>• the audit documentation has been reviewed;</li> <li>• all the statements that the financial statements comprise, including the related notes, have been prepared; and management has asserted that they have taken responsibility for those financial statements.</li> </ul>	
<p><b>Emphasis-of-Matter Paragraphs</b></p>	<p><b>Emphasis-of-Matter Paragraphs</b></p>
<p>.19 The auditor’s report on employee benefit plan financial statements subject to ERISA should include an <i>emphasis-of-matter paragraph</i>,<sup>7</sup> under an appropriate heading, when the following situations exist when:</p>	
<p>a. There are significant plan amendments that affect net assets that are disclosed in the notes to the financial statements in accordance with FASB ASC 960-205-50-1, 962-205-50-1, and 965-205-50-1.</p>	
<p>b. Minimum funding waivers were granted by the IRS, or if a request for waiver is pending before the IRS, that are disclosed in the notes to the financial statements in accordance with FASB ASC 960-205-50-1 and 962-205-50-1.</p>	<p>.A50 The following is an illustration of an emphasis-of-matter paragraph when a defined benefit pension plan received a funding waiver.</p> <p style="padding-left: 40px;">Emphasis of Matter Regarding Funding Waiver</p> <p style="padding-left: 40px;">As discussed in Note X to the financial statements, the plan received a funding waiver from the IRS. Our opinion is not modified with respect to this matter.</p>

<sup>7</sup> Paragraphs .06-.07 of AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report.*

<p>c. There were significant changes in the nature of the plan, for example, a plan merger or spin-off that are disclosed in the notes to the financial statements in accordance with FASB ASC 965-205-50-1.</p>	<p>.A51 The following is an illustration of an emphasis-of-matter paragraphs when a defined contribution retirement plan is merged into another plan.</p> <p style="text-align: center;">Emphasis of Matter Regarding Plan Merger</p> <p>As discussed in Note X to the financial statements, the Board of Directors of ABC Company merged XYZ Plan into the ABC 401(k) plan effective December 31, 20X2. The plan’s net assets and related participant information were transferred to the ABC Plan on December 31, 20X2. Our opinion has not been modified with respect to this matter.</p>
<p><b>Reporting on ERISA Supplemental Schedules</b></p>	<p><b>Reporting on ERISA Supplemental Schedules</b></p>
<p>.20 ERISA requires that certain supplemental schedules accompany the ERISA plan financial statements if applicable. When auditing ERISA plan financial statements, the auditor should report on whether such supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole, in accordance with AU-C section 725, <i>Supplementary Information in Relation to the Financial Statements as a Whole</i>.</p>	<p>.A52 According to 29 CFR 2520.103-10 the administrator of a plan filing an annual report pursuant to ERISA section 2520.103-1(a)(2) should, as provided in the instructions to the Form 5500 “Annual Return/Report of Employee Benefit Plan” include as part of the annual report separate financial schedules of: (1) assets held for investment; (2) assets acquired and disposed of within the plan year; (3) party in interest transactions; (4) obligations in default; (5) leases in default; and (6) reportable transactions.</p> <p>.A53 The Form 5500 requires the following schedules to be attached to the Form 5500 filing. These schedules are covered by the auditor’s report on whether such supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole, in accordance with AU-C 725. The Form 5500 is updated annually and therefore the Form 5500 contains the most current information about the required schedules.</p> <ul style="list-style-type: none"> <li>a. Schedule H, line 4a—Schedule of Delinquent Participant Contributions</li> <li>b. Schedule H, line 4i—Schedule of Assets (Held at End of Year)</li> <li>c. Schedule H, line 4i—Schedule of Assets (Acquired and Disposed of within Year)</li> <li>d. Schedule H, line 4j—Schedule of Reportable Transactions</li> <li>e. Schedule G, Part I—Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible</li> </ul>

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	<p>f. Schedule G, Part II—Schedule of Leases in Default or Classified as Uncollectible</p> <p>g. Schedule G, Part III—Nonexempt Transactions</p>
<p>.21 AU-C section 725 addresses the performance requirements as well as the form and content of the report on supplementary information in relation to the financial statements as a whole. When an entity to presents the supplementary information with the financial statements, AU-C 725 requires the auditor to report on the supplementary information in either (a) an other-matter paragraph in accordance with section 706, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Auditor’s Report</i>, or (b) in a separate report on the supplementary information.<sup>8</sup> When performing an audit of ERISA plan financial statements, the reporting elements discussed in paragraph .09 of AU-C 725 should be replaced with the following:</p>	
<p>a. A statement that the audit was conducted for the purpose of forming an opinion on the financial statements as a whole</p>	
<p>b. A statement that the supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements</p>	
<p>c. A statement that the supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements</p>	
<p>d. A statement that the supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, performing</p>	

<sup>8</sup> AU-C section 725 *Supplementary Information in Relation to the Financial Statements as a Whole*, paragraph .09.



<p>procedures to test the completeness and accuracy of the supplementary information included in the supplemental schedules, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America.</p> <p>e. When reporting on an audit of ERISA plan financial statements when management limits the scope of the audit as permitted by ERISA, the paragraph in <i>d.</i> should be revised accordingly. Further the report should include a statement that the auditor’s procedures with respect to the certified investment information included in the supplemental schedules were limited to those procedures described in the <i>Auditor’s Responsibility (Including Responsibility for the Certified Investment Information)</i> section.</p>	<p>.A54 When management imposes a limitation on the scope of the audit, as permitted by ERISA, the words “A statement that the supplementary information” in the first sentence may be replaced with “With the exception of the certified investment information described in the <i>Basis for Limitation on the Scope of the Audit</i> section, the supplementary information....”</p>
<p>f. A statement that in forming the opinion on the supplemental schedules, the auditor evaluated whether the supplementary information, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure Under the Employee Retirement Income Security Act of 1974.</p>	
<p>g. If the auditor issues an unmodified opinion on the financial statements and the auditor has concluded that the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, a statement that, in the auditor’s opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, and is in conformity with the DOL’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.</p>	
<p>h. If the auditor issues a qualified opinion on the financial statements and the qualification has an effect on the supplementary information, a statement that, that in the auditor’s opinion, except for the effects on the supplementary information of (refer to the paragraph in the auditor’s report explaining the qualification),</p>	

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<p>such information is fairly stated, in all material respects, in relation to the financial statements as a whole.<sup>9</sup></p>	
<p>i. When reporting on an audit of ERISA plan financial statements when management limits the scope of the audit as permitted by ERISA, a statement that in the auditor’s opinion, with the exception of the possible effects of the limitation on the scope of the audit described in the <i>Basis for Limitation on the Scope of the Audit</i> section, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole and is in conformity with the DOL’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.</p>	
<p><b>Considerations Relating to the Form 5500 Filing</b></p>	<p><b>Considerations Relating to the Form 5500 Filing</b></p>
<p>.22 Information in the Form 5500 may be relevant to an independent audit or the continuing propriety of the auditor’s report. The auditor should read the Form 5500 in order to identify material conflicting Form 5500 information, if any, with the audited financial statements.</p>	<p>.A55 Information contained in the Form 5500 that is inconsistent with information contained in the audited financial statements is considered <i>conflicting Form 5500 information</i>. Material <i>conflicting Form 5500 information</i> may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor’s opinion on the financial statements.</p> <p>.A56 <i>Misstatements of Form 5500 Information</i> is information contained in the Form 5500 that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. <i>Misstatements of Form 5500 Information</i> may be identified by the auditor upon reading the Form 5500 for the purpose of identifying material <i>conflicting Form 5500 information</i> as discussed in paragraph .32.</p> <p>.A57 Obtaining the Form 5500 prior to the report release date enables the auditor to resolve possible material <i>conflicting Form 5500 information</i> and apparent <i>misstatements of Form 5500 information</i> with management on a timely basis. An agreement with management regarding when the Form 5500 will be available may be helpful. The auditor may delay the release of the auditor’s report until management provides the Form 5500 to the auditor.</p>

<sup>9</sup> AU-C 725, *Supplementary Information in Relation to the Financial Statements as a Whole*, paragraph .09(f).

	<p>.A58 ERISA requires the notes to the financial statements to include an explanation of differences, if any, between the information contained in the separate financial statements and the net assets, liabilities, income, expense, and changes in net assets as required to be reported on the Form 5500. Such reconciling items are not considered <i>conflicting Form 5500 information</i>.</p> <p>.A59 If, upon reading the Form 5500 subsequent to the issuance of the plan’s financial statements the auditor identifies any <i>conflicting Form 5500 information</i>, the auditor may consider reissuing the auditor’s report, dual-dated with respect to the note explaining the differences. If the differences represent material <i>conflicting Form 5500 information</i> or a <i>misstatement of Form 5500 information</i> in the preparation of the Form 5500, then the guidance in .28–.34 below is appropriate.</p>
<p>.23 The auditor should make appropriate arrangements with management or those charged with governance to obtain the Form 5500 prior to the report release date. If it is not possible to obtain the Form 5500 prior to the report release date, the auditor should read the Form 5500 as soon as practicable.</p>	
<p>.24 The auditor should communicate with those charged with governance the auditor’s responsibility with respect to the Form 5500; any procedures performed relating to the Form 5500; and the results.</p>	
<p>.25 If, on reading the Form 5500, the auditor identifies material <i>conflicting Form 5500 information</i>, the auditor should determine whether the audited financial statements or the Form 5500 needs to be revised.</p>	
<p>.26 When the auditor identifies material <i>conflicting Form 5500 information</i> prior to the date of the auditor’s report that requires revision of the audited financial statements and management refuses to make the revision, the auditor should modify the auditor’s opinion in accordance with AU-C section 705, <i>Modifications to the Opinion in the Independent Auditor’s Report</i>.</p>	

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<p>.27 When the auditor identifies material <i>conflicting Form 5500 information</i> after the date of the auditor’s report but prior to the report release date that requires revision of the audited financial statements, the auditor should apply the relevant requirements in AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i>.</p>	
<p>.28 When the auditor identifies material <i>conflicting Form 5500 information</i> prior to the report release date that requires revision of the information in the Form 5500 and management refuses to make the revision, the auditor should communicate this matter to those charged with governance and</p>	<p>.A60 When management refuses to revise the information in the Form 5500, the auditor may base any decision on what further action to take on advice from the auditor’s legal counsel.</p>
<p>a. Include in the auditor’s report an other-matter paragraph describing the material <i>conflicting Form 5500 information</i>, in accordance with AU-C section 706, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report</i>;</p>	
<p>b. Withhold the auditor’s report; or</p>	
<p>c. When withdrawal is possible under applicable law or regulation, withdraw from the engagement.</p>	
<p>.29 When revision of the audited financial statements is necessary as a result of material <i>conflicting Form 5500 information</i> with the information in the Form 5500 and the auditor’s report on the financial statements has already been released, the auditor should apply the relevant requirements in AU-C section 560 <i>Subsequent Events and Subsequently Discovered Facts</i>.</p>	<p>.A61 The auditor may encounter situations in which the auditor’s report is issued prior to the auditor’s reading of the Form 5500. If such a situation occurs, it is important for the auditor to inform the plan administrator that the auditor’s report is not to be attached to the financial statements included with the Form 5500 filing without the auditor’s reading of the Form 5500. When the engagement letter is prepared, it may include a statement that in the event that the auditor’s report is issued prior to the auditor having read the Form 5500, the plan administrator agrees not to attach the auditor’s report to the financial statements included with the Form 5500 filing until the auditor has read the completed Form 5500. The auditor may also consider including a statement in the transmittal letter to the client indicating that the auditor’s report, as presented, is not to be attached to the financial</p>

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	statements to be included in the Form 5500 filing without the auditor's reading of that filing.
.30 When revision of the Form 5500 is necessary after the report release date and management agrees to make the revision, the auditor should carry out the procedures necessary under the circumstances.	.A62 When revision of the information in the Form 5500 is necessary after the report release date and management agrees to make the revision, the auditor's procedures may include reviewing the steps taken by management to ensure that individuals in receipt of the previously issued financial statements, the auditor's report thereon, and the Form 5500 are informed of the need for revision.
.31 When revision of the Form 5500 is necessary after the report release date but management refuses to make the revision, the auditor should notify those charged with governance of the auditor's concerns regarding the Form 5500 and take any further appropriate action.	.A63 When revision of information in the Form 5500 is necessary after the report release date but management refuses to make the revision, appropriate further actions by the auditor may include obtaining legal advice.
.32 If, on reading the Form 5500 for the purpose of identifying material conflicting Form 5500 information, the auditor becomes aware of an apparent material <i>misstatement of Form 5500 information</i> , the auditor should discuss the matter with management.	.A64 When discussing an apparent material <i>misstatement of Form 5500 information</i> (paragraph .A56 for a definition) with management, the auditor may not be able to evaluate the validity of some disclosures included within the Form 5500 and management's responses to the auditor's inquiries. The auditor may conclude that valid differences of judgment or opinion exist.
.33 When following such discussions as described in paragraph .32, the auditor still considers that there is an apparent material <i>misstatement of Form 5500 information</i> , the auditor should request management to consult with a qualified third party, such as the entity's legal counsel, and the auditor should consider the advice received by the entity in determining whether such matter is a material <i>misstatement of Form 5500 information</i> .	
.34 When the auditor concludes that there is a material <i>misstatement of Form 5500 information</i> in the information in the Form 5500 that management refuses to correct, the auditor should notify those charged with governance of the auditor's concerns regarding the information in the Form 5500 and take any further appropriate action.	.A65 When the auditor concludes that there is a material <i>misstatement of Form 5500 information</i> that management refuses to correct, appropriate further actions by the auditor may include obtaining legal advice from the auditor's legal counsel, withholding the auditor's report if such report has not been released, or withdrawing from the engagement when withdrawal is possible under applicable law or regulation.

<p style="text-align: center;"><b>REPORTING ON SPECIFIC CONSIDERATIONS RELATING TO SELECTED PLAN PROVISIONS</b></p>	<p style="text-align: center;"><b>REPORTING ON SPECIFIC CONSIDERATIONS RELATING TO SELECTED PLAN PROVISIONS</b></p>
<p>.35 When providing an opinion on financial statements for an ERISA plan, the auditor should also report on specific considerations relating to whether certain plan transactions are in accordance with selected provisions of the plan document.</p> <p>.36 The auditor should report on its specific considerations relating to selected plan provisions for the current period, regardless of whether or not the auditor identifies findings.</p>	<p>.A66 It is the responsibility of management for determining that the plan’s transactions that are presented or disclosed in the financial statements are in accordance with plan provisions. While some of these provisions do not relate to accounts that are presented as financial statement account balances, they do affect investment related transactions and balances of the plan and the benefits to which participants are entitled to receive.</p> <p>.A67 The auditor’s report on specific considerations relating to selected plan provisions is limited to selected plan provisions for the current period, even when comparative financial statements are presented (i.e., even when the auditor’s opinion refers to each period for which financial statements are presented). The current period is the most recent period upon which the auditor is reporting.</p>
<p style="text-align: center;"><b>Procedures to Report on Specific Considerations Relating to Selected Plan Provisions</b></p>	<p style="text-align: center;"><b>Procedures to Report on Specific Considerations Relating to Selected Plan Provisions</b></p>
<p>.37 In order to report on specific considerations relating to selected plan provisions the auditor should perform the following procedures:</p>	<p>.A68 Paragraph .07 of AU-C section 300 <i>Planning an Audit</i> requires the auditor to establish an overall audit strategy that sets the scope, timing, and direction of the audit and that guides the development of the audit plan. Planning the nature, timing, and extent of further audit procedures depends on the outcome of the auditor’s risk assessment procedures. The auditor’s risk assessment may affect the amount of testing of the plan’s transactions and whether they are in accordance with selected plan provisions.</p> <p>.A69 Some of these procedures may already have been performed when testing certain areas of the financial statement audit, such as when testing contributions and participant data. The amount of items to be tested is up to auditor judgment however each area is expected to have some relevant testing.</p>
<p><i>All Plans</i></p>	<p><i>All Plans</i></p>
<p>a. Testing whether the plan has complied with eligibility provisions in accordance with the plan document</p>	<p>.A70 The plan document or collective bargaining agreement (for multiemployer plans) often specifies the eligibility provisions (in accordance with ERISA sections 201 and 202) that must be met for the</p>

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<p>Relevant assertions may include (note: these assertions have been included for purposes of discussion with the ASB):</p> <ul style="list-style-type: none"> <li>• Completeness (contribution transactions and net asset balance)</li> <li>• Accuracy (net asset balance)</li> <li>• Presentation and disclosure</li> <li>• Occurrence</li> <li>• Rights and obligations</li> </ul>	<p>employer(s) and employees to make contributions, vesting provisions, the formula to determine upper and lower contribution limits (salary deferral percentages), or the rates for determining the contributions.</p> <p>.A71 In connection with the audit of the ERISA plan financial statements, the auditor may evaluate compliance with eligibility provisions as part of the auditor’s testing of contributions and participant data.</p>
<p>b. Testing whether benefit payments or claim payments have been made in accordance with the plan document</p> <p>Relevant assertions may include:</p> <ul style="list-style-type: none"> <li>• Accuracy (benefit/claims payments; net asset balance)</li> <li>• Completeness (benefit/claims payments; net asset balance)</li> <li>• Presentation and disclosure</li> <li>• Occurrence</li> <li>• Rights and obligations</li> </ul>	<p>.A72 The plan document (or summary plan descriptions) may specify benefit and claim payment provisions in accordance with ERISA sections 204–206 under which benefits and claims can be paid. In connection with the audit of the ERISA plan financial statements, the auditor may test whether benefit payments were made when required or permitted and in accordance the applicable formula or amount.</p>
<p>c. Testing whether the plan has complied with vesting provisions in accordance with the plan document</p> <p>Relevant assertions may include:</p> <ul style="list-style-type: none"> <li>• Accuracy (benefit/claim payments; net asset balance)</li> <li>• Completeness (benefit/claims payments; net asset balance; investment for forfeitures retained)</li> <li>• Presentation and disclosure</li> <li>• Occurrence</li> <li>• Rights and obligations</li> </ul>	<p>.A73 In connection with the audit of the ERISA plan financial statements, the auditor may evaluate compliance with vesting provisions as part of the auditor’s benefit payment testing. Minimum vesting requirements are typically summarized in the plan document in accordance with ERISA section 203.</p>

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<p>d. Testing whether employer and employee contributions have been made in accordance with the plan document or collective bargaining agreement (for multiemployer plans), including that compensation upon which contributions are based is consistent with the definition of compensation in the plan document.</p> <p>Relevant assertions may include:</p> <ul style="list-style-type: none"> <li>• Accuracy (contributions; net asset balance)</li> <li>• Completeness (contributions; net asset balance)</li> <li>• Presentation and disclosure</li> <li>• Occurrence</li> <li>• Rights and obligations</li> </ul>	<p>.A74 In connection with the audit of the ERISA plan financial statements, the auditor may test whether employer and employee contributions have been made in accordance with the plan document, including the proper use of compensation to calculate contributions by coordinating the procedures for testing contributions with those for payroll and participant data.</p>
<p>e. Testing whether identified prohibited transactions have been appropriately disclosed in the supplemental schedules</p> <p>Relevant assertions may include:</p> <ul style="list-style-type: none"> <li>• Presentation and disclosure (contributions/receivables)</li> </ul>	<p>.A75 In connection with the audit of the ERISA plan financial statements, the auditor may evaluate whether identified prohibited transactions have been appropriately presented in the supplemental schedules as required by ERISA.</p>
<p>f. Inquiring of management whether the plan has performed and passed, corrected, or intends to correct failures of relevant IRC compliance tests within the time provided by the regulations.</p> <p>Relevant assertions may include (receivables / contributions):</p> <ul style="list-style-type: none"> <li>• Presentation and disclosure</li> <li>• Occurrence</li> <li>• Rights and obligations</li> </ul>	<p>.A76 Retirement and certain welfare plans are granted special tax status for the contributions and earnings on plan investments to be exempt from taxation. Plans must be designed and operated in accordance with IRC requirements in order to maintain their tax-exempt status. For qualified retirement plans, these are the provisions of IRC Section 401(a) and related IRC sections. A 403(b) plan is subject to some, but not all, of the same standards as a qualified retirement plan. A tax-exempt welfare benefit plan is subject to the specific requirements of the IRC section that is the basis of their exemption: IRC Section 501(c)(9) for voluntary employee beneficiary associations (VEBAs), IRC Section 501(c)(17) for supplemental unemployment benefits, and IRC Section 501(c)(21) for black lung benefits.</p> <p>.A77 To determine that a plan is operating within the specific guidelines established by the plan document in</p>



	<p>accordance with the IRC, the plan administrator is responsible for certain nondiscrimination and other compliance tests which are required to be performed at least annually. However, IRS Revenue Procedure 93-42 permits certain plans to perform some of the tests once every three years, rather than annually. The plan administrator is an individual who is identified in the plan document as having responsibility for managing the day-to-day administration and strategic decisions for the plan. The plan administrator can be the employer, a committee of employees, a company executive, or someone hired for this purpose. The plan administrator is responsible for maintaining the plan's compliance with the plan provisions and applicable laws and regulations including ERISA, DOL rules and regulations for reporting and disclosure, PBGC rules and regulations for insurance coverage and termination of defined benefit plans, and IRS regulations to prevent violations that may cause disqualification of their tax-exempt status.</p> <p>.A78 Exhibit B— <i>Nondiscrimination and Other Operating Tests for Plan Qualification</i> includes a list of IRC requirements with which a plan is required to comply in order to maintain its tax exempt status. This list contains the compliance tests contemplated by paragraph .37(f) when reporting on compliance in this SAS. This list is not all inclusive, however, the auditor would not be required to report on compliance with other IRC compliance tests, other than those listed in exhibit B.</p>
<i>Individual Account Plans</i>	<i>Individual Account Plans</i>
<p>g. For individual account plans, determining whether assets are fully allocated to the participant accounts in accordance with Revenue Ruling 80-155 and the plan document.</p> <p>Relevant assertions may include:</p> <ul style="list-style-type: none"> <li>• Valuation and Allocation (period-end account balances; net assets)</li> <li>• Presentation and disclosure</li> <li>• Occurrence</li> <li>• Rights and obligations</li> </ul>	<p>.A79 Revenue Ruling 80-155 interprets Treasury Regulation 1.401-1(b)1(ii). To test whether assets are fully allocated to the participant accounts, the auditor may reconcile the aggregate of participant accounts to the net assets available for benefits.</p>

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<p>h. For individual account plans, determining whether the forfeited nonvested portion of the participants' accounts (forfeitures) were used in accordance with IRC related regulations and the plan document.</p> <p>Relevant assertions may include:</p> <ul style="list-style-type: none"> <li>• Accuracy (contributions; benefit payments; expenses; net asset balance)</li> <li>• Completeness (contributions; benefit payments; expenses; net asset balance )</li> <li>• Presentation and disclosure</li> <li>• Occurrence</li> <li>• Rights and obligations</li> </ul>	<p>.A80 Treasury regulation 1.401-7(a) requires a plan to use forfeitures as soon as possible to reduce employer contributions. In connection with the audit of the ERISA plan financial statements, the auditor may test whether forfeitures have been used properly as part of the forfeiture testing, including (a) identifying whether forfeitures exist, and (b) evaluating whether the plan used the forfeitures in accordance with the plan document and the IRC.</p> <p>.A81 If the plan is not using the forfeitures in accordance with the IRC then an improper accumulation of forfeiture amounts could occur.</p>
<p>i. For individual account plans, evaluating whether account activity, including employee and employer contributions, investment income, expenses and fees, distributions, loans, transfers and other deductions or additions have been properly allocated to participants and beneficiaries (active and inactive or terminated)</p> <p>Relevant assertions may include:</p> <ul style="list-style-type: none"> <li>• Valuation and allocation (net asset balance)</li> <li>• Presentation and disclosure</li> <li>• Occurrence</li> <li>• Rights and obligations</li> </ul>	
<p><i>Multiemployer Plans</i></p>	<p><i>Multiemployer Plans</i></p>
<p>j. For multiemployer plans, testing that the plan has allocated expenses in accordance with an allocation formula consistent with applicable DOL class or individual exemptions.</p> <p>Relevant assertions may include:</p>	<p>.A82 This testing may include evaluating whether the allocation formula is appropriate in the circumstances.</p>

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<ul style="list-style-type: none"> <li>• Accuracy (expenses)</li> <li>• Completeness (expenses)</li> <li>• Allocation</li> </ul>	
<p><i>Written Representations from Management</i></p>	
<p>k. Obtaining written representations from management that:</p>	
<p>1. plan management has communicated to the auditor whether the plan has performed and passed or corrected failures of relevant IRC compliance tests.</p>	
<p>2. when the report on specific considerations relating to selected plan provisions is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the report on specific considerations relating to selected plan provisions no later than the date of issuance by the entity of the report on specific considerations relating to selected plan provisions and the auditor’s report thereon.</p>	
<p><b>Reporting on Specific Considerations Relating to Selected Plan Provisions in a Separate Report or in the Auditor’s Report</b></p>	<p><b>Reporting on Specific Considerations Relating to Selected Plan Provisions in a Separate Report or in the Auditor’s Report</b></p>
<p>.38 The <i>Report on Specific Considerations Relating to Selected Plan Provisions</i> should be in writing.</p> <p>.39 The <i>Report on Specific Considerations Relating to Selected Plan Provisions</i> should be provided either in a separate report (see paragraph .43) or in one or more paragraphs included in the auditor’s report on the financial statements (see paragraph .44).</p>	<p>.A83 The <i>Report on Specific Considerations Relating to Selected Plan Provisions</i> is an integral part of an audit of ERISA plan financial statements in accordance with GAAS. ERISA section 103 requires the financial statements and auditor’s opinion to be attached to the Form 5500 filing. Accordingly, when the <i>Report on Specific Considerations Relating to Selected Plan Provisions</i> is provided in a separate report, the <i>Report on Specific Considerations Relating to Selected Plan Provisions</i> is to be included with the auditor’s report that is attached to the Form 5500 filing.</p>

.40 When reporting on specific considerations relating to selected plan provisions the auditor should include in the *Report on Specific Considerations Relating to Selected Plan Provisions*, based on the work performed as part of the audit of the financial statements or the procedures performed to address the requirements in paragraph .37, the auditor's findings, other than when the matters are clearly inconsequential.

.A84 Paragraph .12 of AU-C section 260 requires the auditor to communicate with those charged with governance significant findings or issues from the audit. Such communication includes findings or issues arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process.

.A85 The communication of findings relating to whether the plan's transactions are in accordance with selected plan provisions may describe the act of the finding, the circumstances of its occurrence, and the effect on the financial statements, if any. The auditor may reach agreement in advance with those charged with governance on the nature of matters that would be considered clearly inconsequential and, thus, need not be communicated.

.A86 Matters relevant to the auditor's evaluation of the possible effect on the financial statements include the following:

- The quantitative effect of the finding. The potential financial consequences of the finding on the ERISA plan financial statements may include the imposition of fines or penalties.
- The qualitative materiality of the effect of the finding. For example, failure to remit participant contributions in a timely manner results in a prohibited transaction that is required to be reported separately to the DOL and may result in penalties to the plan sponsor and threaten the tax exempt status of the plan.
- Whether the potential financial consequences require accrual or disclosure under the applicable financial reporting framework. For example, the use of an incorrect definition of eligible compensation can affect distribution calculations and funding requirements and could have a material effect in the aggregate or be indicative of a systemic problem.
- Whether the potential financial consequences are so serious as to call into question the fair presentation of the ERISA plan financial statements or otherwise make the ERISA plan financial statements misleading.

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<p>.41 Management may wish to prepare a written response to the auditor’s report regarding the findings that were identified during the audit. When the auditor receives a written response from management, the auditor should include management’s written response in the <i>Report on Specific Considerations Relating to Selected Plan Provisions</i>. In such situations the auditor should add a paragraph to the report disclaiming an opinion on such information.</p>	<p>.A87 Such management communications may include a description of corrective actions taken by the plan, its plans to correct the finding, or a statement indicating that management believes the cost of correcting the finding would exceed the benefits to be derived from doing so.</p>
<p><i>Separate Report on Specific Considerations Relating to Selected Plan Provisions</i></p>	<p><i>Separate Report on Specific Considerations Relating to Selected Plan Provisions</i></p>
<p>.42 When reporting on specific considerations relating to selected plan provisions in a separate report the auditor should include an other-matter paragraph in the auditor’s report on the financial statements that includes:</p>	
<p>a. A statement that in accordance with generally accepted auditing standards, the auditor has also issued a report on the auditor’s specific considerations relating to selected plan provisions in connection obtaining reasonable assurance in an audit of the plan’s financial statements</p>	
<p>b. The name of the plan</p>	
<p>c. The date of the separate Report on Specific Considerations Relating to Selected Plan Provisions</p>	
<p>d. A statement that the purpose of that report is to describe the results of the auditor’s procedures relating to the selected plan provisions and not to provide an opinion on compliance with such plan provisions.</p>	
<p>e. A statement that the report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards.</p>	
<p>.43 When the auditor <i>reports on specific considerations relating to selected plan provisions</i></p>	<p>.A88 Exhibit A, Illustration 4— <i>Illustrative Separate Report on Specific Considerations Relating to Selected Plan Provisions</i> includes an illustrative <i>Report</i></p>

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<p>in a separate report, the report should include the following:</p>	<p><i>on Specific Considerations Relating to Selected Plan Provisions</i> in an audit of an employee benefit plan subject to ERISA.</p>
<p>a. A title that includes the word <i>independent</i> to clearly indicate that it is the report of an independent auditor.</p>	
<p>b. An appropriate addressee.</p>	
<p>c. A paragraph that includes information about the audited financial statements, including</p> <ul style="list-style-type: none"> <li>i. that the financial statements were audited in accordance with generally accepted auditing standards and an identification of the United States of America as the country of origin of those standards (for example, auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards);</li> <li>ii. an identification of the financial statements subject to audit;</li> <li>iii. the type of auditor’s opinion expressed on the audited financial statements;</li> <li>iv. the date of the auditor’s report on those financial statements; and</li> <li>v. a statement that the audit was conducted for the purpose of forming an opinion on the financial statements as a whole</li> </ul>	<p>.A89 When management has limited the scope of the audit as permitted by ERISA the information contained in this paragraph of the <i>Report on Specific Considerations Relating to Selected Plan Provisions</i> would be revised as appropriate to the circumstances. Footnote 1 in illustration 4 of Appendix A provides illustrative wording for this paragraph when management imposes the ERISA-permitted scope limitation on the audit.</p>
<p>d. A section with the heading “<i>Specific Considerations Relating to Selected Plan Provisions</i>” This section of the report should describe:</p>	
<ul style="list-style-type: none"> <li>i. as part of obtaining reasonable assurance about whether the [<i>identify the plan</i>]’s financial statements are free from material misstatement, the auditor performed procedures to test whether plan transactions are in accordance with selected plan provisions, such as provisions for [<i>include relevant provisions such as contributions, benefits, and participant allocations</i>]</li> </ul>	

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<p>for the year ended [date] as required by generally accepted auditing standards for audits of employee benefit plans subject to ERISA, , but these procedures were not performed for the purpose of providing an opinion on compliance with those provisions.</p>	
<p>ii. the auditor does not express such an opinion</p>	
<p>e. When no findings are identified based on the work performed as part of the audit of the financial statements or the procedures performed to address the requirements in paragraph .37, a statement that the auditor did not have any findings relating to whether the plan’s transactions are in accordance with selected plan provisions, however the audit was not designed to identify all instances where plan transactions are not in accordance with those selected plan provisions.</p>	
<p>f. When findings have been identified based on the work performed as part of the audit of the financial statements or the procedures performed to address the requirements in paragraph .37, a statement that, during the audit the auditor identified the following findings relating to whether the plan’s transactions are in accordance with selected plan provisions. However, the audit was not designed to identify all instances where plan transactions are not in accordance with those selected plan provisions.  [List findings]</p>	<p>.A90 The communication of matters involving findings may describe the act of the finding, , the circumstances of its occurrence, and the effect on the financial statements, if any. The auditor may reach agreement in advance with those charged with governance on the nature of matters that would be considered clearly inconsequential and, thus, need not be communicated.</p>
<p>g. A paragraph under the heading “Purpose of the Report” that includes an appropriate alert, in a separate paragraph, that</p> <ul style="list-style-type: none"> <li>i. Describes the purpose of the <i>Report on Specific Considerations Relating to Selected Plan Provisions</i>;</li> <li>ii. states that this report is an integral part of an employee benefit plan audit performed in accordance with</li> </ul>	<p>.A91 Because the report on compliance is an integral part of the audit engagement of ERISA Plan financial statements for the purpose of assessing the results of the engagement, this form of alert language is used.</p>

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<p>generally accepted auditing standards; and</p> <p>iii. states that the communication is not suitable for any other purpose.</p>	
<p>h. The manual or printed signature of the auditor’s firm, the city and state where the auditor practices, and dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor’s opinion on the financial statements.</p>	<p>.A92 The auditor’s <i>Report on Specific Considerations Relating to Selected Plan Provisions</i> carries the same date as that of a financial statement report when the audit procedures required to be performed in paragraph .37 are completed along with the procedures performed on the financial statements. However, when some of the audit procedures performed to satisfy the procedures in paragraph .37 are completed subsequent to the procedures performed on the financial statements, the <i>Report on Specific Considerations Relating to Selected Plan Provisions</i> should be dated at a later date (that is, when the auditor has obtained sufficient appropriate audit evidence to support the <i>Report on Specific Considerations Relating to Selected Plan Provisions</i>).</p>
<p><i>Report on Specific Considerations Relating to Selected Plan Provisions Included in the Auditor’s Report</i></p>	<p><i>Report on Specific Considerations Relating to Selected Plan Provisions Included in the Auditor’s Report</i></p>
<p>.44 When the <i>Report on Specific Considerations Relating to Selected Plan Provisions</i> is included in the auditor’s report on the financial statements, the auditor’s report should include the elements in paragraph .43 (d)-(g) in a separate section of the auditor’s report that should be subtitled “Report on Specific Considerations Relating to Selected Plan Provisions”.”</p>	



## **Exhibit A—Illustrations of Auditor’s Reports on Financial Statements of Employee Benefit Plans Subject to ERISA**

Illustration 1—An Auditor’s Report on Financial Statements for a Defined Contribution Retirement Plan Subject to ERISA

Illustration 2—An Auditor’s Report on Financial Statements for a Defined Benefit Pension Plan Subject to ERISA

Illustration 3—An Auditor’s Report on Financial Statements for a Defined Contribution Retirement Plan Subject to ERISA When Management Imposes the ERISA-Permitted Limitation on the Scope of the Audit

Illustration 4—A Separate Report on Specific Considerations Relating to Selected Plan Provisions

### **Illustration 1—An Auditor’s Report on Financial Statements for a Defined Contribution Retirement Plan Subject to ERISA**

Circumstances include the following:

- Audit of a complete set of general purpose financial statements for a 401(k) plan subject to ERISA (comparative statement of net assets available for benefits)
- The financial statements are prepared in accordance with GAAP
- The Plan merged with another plan. The merger was disclosed in the notes to the financial statements and the auditor included an emphasis-of-matter paragraph in the auditor’s report.

#### **Independent Auditor’s Report**

*[Appropriate Addressee]*

We have audited the accompanying financial statements of ABC 401(k) Plan, which comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements.

#### ***Management’s Responsibility for Financial Statements of Employee Benefit Plans Subject to ERISA***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this

includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for administering the plan and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA section 107 and 209, to determine the benefits due or which may become due to such participants.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above, present fairly, in all material respects, the net assets available for benefits of ABC 401(k) Plan as of December 31, 20X2 and 20X1, and the changes in its net assets available for benefits for the year ended December 31, 20X2, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter Relating to Plan Merger***

As discussed in Note X to the financial statements, the Board of Directors of ABC Company merged XYZ Plan into the ABC 401(k) Plan effective December 31, 20X2. The plan's net assets and related participant information were transferred to the ABC 401(k) Plan on December 31, 20X2. Our opinion has not been modified with respect to this matter.

### ***Other Matter Relating to the Supplementary Information Required by ERISA***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of [*identify title of schedules and period covered*] are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In forming our opinion on the supplemental schedules, we evaluated whether the supplementary information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

In our opinion, the information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole and the form and content is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[*Auditor's signature*]

[*Auditor's city and state*]

[*Date of the auditor's report*]

## **Illustration 2— An Auditor’s Report on Financial Statements for a Defined Benefit Pension Plan Subject to ERISA**

Circumstances include the following:

- Audit of a complete set of general purpose financial statements (comparative statement of net assets available for benefits and of accumulated plan benefits) for a defined benefit pension plan subject to ERISA assuming an end-of-year benefit information date
- The financial statements are prepared in accordance with GAAP
- The information regarding the actuarial present value of accumulated plan benefits and changes therein is presented in separate statements within the financial statements and comparative statements of accumulated plan benefits and a single year statement of changes in accumulated plan benefits are presented

### **Independent Auditor’s Report**

*[Appropriate Addressee]*

We have audited the accompanying financial statements of XYZ Pension Plan, which comprise the statements of net assets available for benefits and of accumulated plan benefits as of December 31, 20X2 and 20X1, and the related statements of changes in net assets available for benefits and of changes in accumulated plan benefits for the year ended December 31, 20X2, and the related notes to the financial statements.

#### ***Management’s Responsibility for Financial Statements of Employee Benefit Plans Subject to ERISA***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for administering the plan and determining that the plan’s transactions that are presented or disclosed in the financial statements are in conformity with the plan’s provisions, including maintaining sufficient records with respect to each of the participants, in accordance with ERISA sections 107 and 209, to determine the benefits due or which may become due to such participants. Further management is also responsible for the estimation methods and assumptions used in measuring the plan’s pension obligation (or the other postemployment benefit obligation)

#### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial status of XYZ Pension Plan as of December 31, 20X2 and 20X1, and the changes in its financial status for the year ended December 31, 20X2, in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter Relating to the Supplementary Information Required by ERISA***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of [*identify title of schedules and period covered*] are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In forming our opinion on the supplemental schedules, we evaluated whether the supplementary information, including its form and content, is presented in conformity with the Department of

Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

In our opinion, the information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole and the form and content is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

*[Auditor’s signature]*

*[Auditor’s city and state]*

*[Date of the auditor’s report]*

### **Illustration 3—An Auditor’s Report on Financial Statements of a Defined Contribution Retirement Plan Subject to ERISA When Management Imposes a Limitation on the Scope of the Audit As Permitted by ERISA**

Circumstances include the following:

- Management imposed a limitation on the scope of the audit, as permitted by 29 CFR 2520.103-8 of the DOL’s Rules and Regulations for Reporting and Disclosure under ERISA,<sup>10</sup> with respect to the certified investment information for a complete set of general purpose financial statements of a 401(k) plan. No other scope limitations were imposed and the financial statements are not materially misstated.
- The financial statements are prepared in accordance with GAAP
- There are no matters disclosed in the notes to the financial statements that require an If emphasis-of-matter paragraph to be included in the auditor’s report.

#### **Independent Auditor’s Report**

*[Appropriate Addressee]*

We have performed an audit of the accompanying financial statements of XYZ 401(k) Plan, subject to the limitation on the scope of the audit imposed by management, as permitted by Employee Retirement Income Security Act of 1974. The financial statements comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements.

#### ***Basis for Limitation on the Scope of the Audit***

As permitted by 29 CFR 2520.103-8 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, management imposed a limitation on the scope of the audit. Under the authority of section 103(a)(3)(c) of the Employee Retirement Income Security Act of 1974, the audit need not extend to any statement or information prepared and certified by a bank or similar institution or insurance carrier which is regulated and supervised and subject to periodic examination by a State or Federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank or insurance carrier in accordance with 29 CFR 2520.103-5.

We have been informed by management that a qualified institution holds the investments and executes investment transactions. Management has obtained certifications from the qualified institution as of December 31, 20X2 and 20X1, and for the year ended December 31, 20X2, stating

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<sup>10</sup> Although not as common, the plan administrator may limit the scope of the audit of 103-12 investment entities as permitted by ERISA. If the scope limitation imposed by management is under 29 CFR 2520.103-12 then the wording in this illustrative report may need to change to reflect the circumstances of the engagement.

that the investment information, described in Note X to the financial statements, is complete and accurate.

***Management’s Responsibility for the Financial Statements and the Limitation on the Scope of the Audit***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for determining whether a limitation on the scope of the audit is permissible in the circumstances, in accordance with the Employee Retirement Income Security Act of 1974, including

- evaluating whether the certification is prepared by a qualified institution, and
- evaluating whether the certified investment information is complete and accurate.

The limitation on the scope of the audit does not affect management’s responsibility for the financial statements. Management is responsible for determining whether the certified investment information is appropriately measured, presented and disclosed in accordance with accounting principles generally accepted in the United States of America.

Management is also responsible for administering the plan and determining that the plan’s transactions that are presented or disclosed in the financial statements are in conformity with the plan’s provisions, including maintaining sufficient records with respect to each of the participants, in accordance with sections 107 and 209 of the Employee Retirement Income Security Act of 1974, to determine the benefits due or which may become due to such participants.

***Auditor’s Responsibility (Including Responsibility for the Certified Investment Information)***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used



and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

With respect to the certified investment information that management instructed us not to audit, we did not assess the risks of material misstatement nor did we consider internal control over the certified investment information. Our procedures were limited to the following:

- (a) obtaining and reading the certification
- (b) evaluating management's assessment of whether the entity issuing the certification is a qualified institution under ERISA
- (c) comparing the certified investment information with the related information presented or disclosed in the financial statements
- (d) assessing whether the form and content of the certified investment information presented or disclosed in the financial statements is in accordance with accounting principles generally accepted in the United States of America

Other than the certified investment information, our audit procedures were not limited for other amounts and disclosures in the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements with the ERISA-permitted scope limitation.

***Auditor's Opinion on the Financial Statements With the ERISA-Permitted Audit Scope Limitation***

In our opinion, with the exception of the possible effects of the limitation on the scope of the audit described in the *Basis for Limitation on the Scope of the Audit* section, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the XYZ 401(k) plan as of December 31, 20X2 and 20X1, and the changes in net assets available for benefits for the year ended December 31, 20X2, in accordance with accounting principles generally accepted in the United States of America.

***Other Matter Relating to the Supplementary Information Required by ERISA***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of [*identify title of schedules and period covered*] are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Security Act of 1974. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. With the exception of the certified investment information described in the *Basis for Limitation on the Scope of the Audit* section, the information has been subjected to the auditing procedures applied in the audits of the

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Our procedures with respect to the certified investment information included in the supplemental schedules were limited to those procedures described in the *Auditor's Responsibility (Including Responsibility for the Certified Investment Information)* section.

In forming our opinion on the supplemental schedules, we evaluated whether the supplementary information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

In our opinion, with the exception of the possible effects of the limitation on the scope of the audit described in the *Basis for Limitation on the Scope of the Audit* section, the supplementary information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole and is in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

[*Auditor's signature*]

[*Auditor's city and state*]

[*Date of the auditor's report*]

## Illustration 4—Illustrative Separate Report on Specific Considerations Relating to Selected Plan Provisions

Circumstances include the following:

- Audit of a 401(K) plan. (When management limits the scope of the audit as permitted by ERISA, the first paragraph of the report would be revised accordingly.)
- The auditor’s report on the financial statements includes an other-matter paragraph (in accordance with paragraph .41 of the proposed SAS) regarding the report on specific considerations relating to selected plan provisions that was issued separately. The following is an example of such a paragraph.

### Other Matter Regarding Separate Report on Specific Considerations Relating to Selected Plan Provisions

In accordance with GAAS, we have also issued a report dated [*date of report*] on our specific considerations relating to selected plan provisions of ABC 401(k) Plan in connection with obtaining reasonable assurance in an audit of the plan’s financial statements. The purpose of that report is to describe the results of our procedures relating to the selected plan provisions and not to provide an opinion on compliance with such plan provisions. That report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards.

### Independent Auditor’s Report

[*Appropriate Addressee*]

We have audited, the financial statements of ABC 401(k) plan in accordance with auditing standards generally accepted in the United States of America, , which comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements, and have issued our unmodified opinion thereon dated October 15, 20X3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.<sup>11</sup>

<sup>11</sup> When management has limited the scope of the audit as permitted by the Employee Retirement Income Security Act of 1974, this paragraph may be replaced with the following:

“We have performed an audit of the financial statements of ABC 401(k) Plan, in accordance with auditing standards generally accepted in the United States of America, subject to the limitation on the scope of the audit imposed by management, as permitted by the Employee Retirement Income Security Act of 1974. The financial statements comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements. We have issued our opinion on the financial statements with the ERISA-permitted audit scope limitation thereon dated October 15, 20X3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

***Specific Considerations Relating to Selected Plan Provisions***

As part of obtaining reasonable assurance about whether ABC 401(k) Plan’s financial statements are free from material misstatement, we performed procedures to test whether plan transactions are in accordance with selected plan provisions, such as provisions for *[include relevant provisions such as contributions, benefits, and participant allocations]* for the year ended December 31, 20X2 as required by generally accepted auditing standards for audits of employee benefit plans subject to ERISA.. However, these procedures were not performed for the purpose of providing an opinion on compliance with those provisions and, accordingly, we do not express such an opinion.

*[No findings]*

During our audit we did not have any findings relating to whether the plan’s transactions are in accordance with selected plan provisions. . However, the audit was not designed to identify all instances where plan transactions are not in accordance with those selected plan provisions.

or

*[Findings have been identified]*

During our audit we identified the following findings relating to whether the plan’s transactions are in accordance with selected plan provisions. However, the audit was not designed to identify all instances where plan transactions are not in accordance with those selected plan provisions.

*[Describe findings]*

***Purpose of this Report***

The purpose of this report is solely to describe the results of our specific considerations relating to whether the plan’s transactions are in accordance with selected plan provisions, and not to provide an opinion on the plan’s compliance with ABC 401(k) plan’s provisions. This report is an integral part of an employee benefit plan audit performed in accordance with generally accepted auditing standards. Accordingly, this communication is not suitable for any other purpose.

*[Auditor’s signature]*

*[Auditor’s city and state]*

*[Date of the auditor’s report]*

## **Exhibit B—Nondiscrimination and Other Operating Tests for Plan Qualification**

This list contains the compliance tests contemplated by paragraph .37(j) when reporting on compliance in this SAS.	
Type of Test	Applicable IRC reference
1. Minimum coverage test	IRC section 410(b) (retirement plans only)
2. Nondiscrimination test	IRC Section 401(a)(4) or 505 (retirement plans, and if funded through VEBA, welfare plans) (Collectively bargained (CB) plans are deemed to automatically satisfy this test.)
3. Average deferral and contribution percentage limits	IRC Section 401(k) and (m) (defined contribution plan only; however 403(b) plans with employer contributions are only subject to the contribution percentage test)
4. Top heavy test	IRC Section 416 (qualified retirement plans only; not 403(b) plans; plans with no key employees, and CB plans are deemed to automatically satisfy this test)
5. Benefit and contribution limits	IRC Section 415(b) (retirement plans only)
6. Employee deferral contribution limitations	IRC Section 402(g)- defined contribution plans only)
7. Minimum funding obligations	IRC Sections 412 or 430 (defined benefit plans and money purchase pension plans)
8. Diversification rules for ESOPs	IRC Section 401(a)(28)
9. Unrelated business income tax	IRC Sections 419A and 511 (retirement and health and welfare plans – if plans are invested in other than typical passive investments, such as hedge funds, partnerships, or real estate)