



July 3, 2017

AICPA Auditing Standards Board
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I have reviewed the AICPA Proposed Statement on Auditing Standards, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*.

I would like to address the overall response by the ASB to develop a federal agency-specific audit standard. I realize at this point in the process, the ASB has already decided it to be appropriate as they have invested effort into this exposure draft. However, I do not believe this to be an appropriate response by the ASB and I strongly encourage the ASB to reconsider the appropriateness of issuing any standard as a result of this exposure draft.

Specific audit requirements for federal agencies should be established in a federal agency audit guide. The GAQC is positioned to assist federal agencies in developing their audit guide, and they have done so in the past. The EBPAQC or the ASB may be in an even better position to provide support by assisting the DOL in drafting an agency audit guide. This exposure draft would provide a good basis for such an audit guide. I do not believe that an amendment to generally accepted auditing standards to accomplish the goals of one federal agency is appropriate.

Currently, the audit standards are principles-based and utilize an audit methodology that incorporates the auditor's understanding of the entity, its industry and environment, its internal controls, and other factors that may affect the entity's financial reporting process. Based on the auditor's understanding, the auditor assesses risk of what can go wrong in the financial reporting process. Based on the auditor's risk assessments, the auditor designs the nature, timing and extent of the audit procedures to be performed to obtain sufficient appropriate evidence supporting the auditor's opinion. There are quite a few places in the exposure draft where the auditor should perform procedures irrespective of the auditor's risk assessment. This exposure draft represents a significant departure from the principles generally accepted auditing standards are built upon. However, a DOL audit guide could require procedures the auditor must perform irrespective of risk assessments. Both the U.S. Department of Education's and U.S. Department of Housing and Urban Development's audit guides include specific required procedures that may not address risks identified by the auditor but are performed by the auditor because the federal agency requires them to be performed.

This exposure draft also discusses reporting findings and independence considerations. *Government Auditing Standards* has already established requirements for developing and reporting findings that could be built upon to meet the DOL's needs. It seems that the Yellow Book conceptual framework for independence would meet the DOL's requirements. If the DOL wanted to impose additional engagement acceptance requirements, they could do so. For example, HUD has additional engagement letter requirements. Rather than duplicating these requirements in GAAS for only a specific type of engagement (an audit of an ERISA plan), which abandons principles-based GAAS in favor of a specific-procedure GAAS, the DOL could require all audits performed in accordance with their agency audit guide to be subject to GAGAS. The DOL could also add to the GAGAS-required elements of a finding to provide information as the DOL wishes.

Federal agency audit guides provide their own report guidance for reports to be issued in addition to the GAAS report and the GAGAS report. An agency audit guide can also provide a format to require additional auditor reporting responsibilities such as the inclusion of an emphasis of matter paragraph in the report on the financial statements or specific requirements if the auditor withdraws from an engagement. Federal agency audit guides also typically have their own specific sampling requirements, including minimum sample sizes, as well as a list of compliance requirements (attributes) to test.

Requiring audits performed in accordance with a DOL agency audit guide to be subject to GAGAS would also provide the DOL with the peer review and monitoring requirement as well as a continuing professional education requirement that may assist with audit quality.

A DOL agency audit guide (or ERISA audit guide), subject to *Government Auditing Standards*, would accomplish much of what this exposure draft attempts to do without violating the principles that generally accepted auditing standards are built upon. I ask that the ASB seriously consider their abandonment of the principles of current GAAS during their discussions of this exposure draft and instead consider that a federal agency audit guide is a more appropriate format to accomplish the objectives of this exposure draft.

Respectfully,

A handwritten signature in blue ink that reads "Laura Lindal CPA". The signature is written in a cursive, flowing style.

Laura Lindal, CPA