



August 21, 2017

Ms. Sherry Hazel
Audit and Attest Standards Team
American Institute of Certified Public Accountants (AICPA)

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The Employee Benefits Committee and Audit & Assurance Services Committee of the Illinois CPA Society (“Committees”) appreciate the opportunity to provide their perspective on the Invitation to Comment on the *Proposed Statement of Auditing Standards – Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA (AU-C 703)*. Our comments represent the collective views of the Committees and not the individual views of the members or the organizations with which they are affiliated. The organization and operating procedures of the Committees are outlined in Appendix A to this letter.

As requested in the exposure draft, we have considered the following issues and our comments are included below.

Issue 1—Required Procedures When an ERISA-Permitted Audit Scope Limitation is Imposed

We believe the procedures and guidance will achieve the objectives of enhancing execution and consistency in these engagements and do not believe any procedures that should be required are missing.

Issue 2—The Form and Content of the Auditor’s Report on ERISA Plan Financial Statements with the ERISA-permitted Audit Scope Limitation

In general we like the expanded discussion and clarification of what constitutes the auditor’s and management’s responsibilities, with the caveat that items (a) through (d) on page 117 be condensed into paragraph form. However, we do not believe we should be issuing an opinion on a limited scope audit engagement and should continue to issue a disclaimer of opinion due to the significance of the information not audited. If auditors performing limited scope audits of employee benefit plans do not understand their responsibilities for auditing accounts other than investments and investment income and performing compliance testing, then additional continuing professional educational requirements should be required rather than creating a new form of opinion specific to limited scope employee benefit plan audits that is not available for audits of any other entity or industry.

Issue 3—Modifications to the Opinion in the Independent Auditor’s Report

As noted in Item 2 above, we are not in favor of issuing an opinion on a limited scope audit and believe the disclaimer of opinion should be retained. However, if the proposed change proceeds, we believe additional guidance needs to be provided to address situations related to audits of 403b plans where there was a lack of historical information and a disclaimer of opinion was issued for that matter as well as for the limited scope audit.

Issue 4—Required Emphasis-of-Matter Paragraphs

We believe requiring emphasis-of-matters paragraphs in the auditor’s report is appropriate. However, the guidance needs to better define what is considered significant. Also, consideration should be given to requiring the following items to be included in emphasis of matter paragraphs: bankruptcy of plan sponsor, plan termination, significant related party transactions, significant plan litigation or regulatory action, and significant subsequent events.

Issue 5—Reporting Internal Control Deficiencies

We agree with the conclusions of the ASB on this issue.

Issue 6—Certain Requirements for Audits of ERISA Plan Financial Statements and Related Required Report on Specific Plan Provisions Relating to the Financial Statements

We agree with the performance of the audit procedures discussed in paragraphs 15 and 16 as quality audit firms are performing those procedures already, except that the procedures should not need to be performed if those areas are not deemed material based on the auditor’s risk assessment procedures. Clarification should also be provided when certain of the required areas are not applicable, for example the plan being audited does not have employer contributions or permit participant loans.

As to the reporting of findings discussed in paragraphs 119 to 124 of the proposed SAS, we strongly oppose this for the following reasons:

- It would be better to expand the requirements of AU-C 260 and 265 to report the findings.
- The term inconsequential is not defined.
- Compliance errors caught and corrected by management should not need to be reported.
- Because the information is available to the public it could open up plan sponsors to unwarranted litigation.
- The examples in the proposed SAS are too vague – they would need to be more specific as to population, number of items tested, errors found in sample, and error rate - to be useful to a user.
- The DOL should instead add an additional question to Form 5500 asking if an AU-C 260 and/or 265 communication was issued in connection with the audit.

Issue 7—Required Procedures Relating to the Form 5500

We agree that the entire Form 5500, including all schedules, should be reviewed for inconsistencies with the audited financial statements. Many auditors believe only the Schedule H needs to be reviewed. We recommend the term “material consistency” be defined and additional guidance provided as to procedures that should be performed when reviewing the Form 5500 including the schedules. Additionally, in regards to the requirement to provide a footnote reconciling schedule H to the financial statement amounts, additional guidance should be provided as to when that is required and to what level of detail. For example, only when there is a difference in net assets, or when there is a difference in any line item in either statement.

Issue 8—Proposed New Reporting Standard and Amendments to Other AU-C Sections

See comments at Issue 2 above.

Issue 9—Proposed Effective Date

We believe an effective date of 2018 is too soon to educate plan sponsors regarding the proposed changes. In addition, significant changes to Form 5500 were proposed on July 21, 2016 in Federal Register Vol. 81 No. 140. We believe coordinating the effective date of this SAS to the Form 5500 changes, if possible, would be most efficient, but no earlier than 2019.

We appreciate the opportunity to offer our comments.

Sincerely,

JoAnn Cassell, CPA
Chair, Employee Benefits Committee

James Javorcic, CPA
Chair, Audit & Assurance Services
Committee

APPENDIX A
EMPLOYEE BENEFITS COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2017 – 2018

The Employee Benefits Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, government and public practice. The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting, audit and attestation standards. The Subcommittee develops a proposed response that is considered, discussed and voted on by the full Committee, which is then submitted to the appropriate senior level committee of the Illinois CPA Society for its review and approval. Support by the two Committees results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Employee Benefits Committee and their business affiliations are as follows:

Public Accounting Firms:

Large: (national & regional)

Rose Ann Abraham, CPA
Janice L. Forgue, CPA
David M. Kot, CPA
Kathleen A. Musial, CPA
William P. Zorc, CPA

Baker Tilly Virchow Krause LLP
Marcum LLP
BKD, LLP
Wipfli, LLP
Marcum LLP

Medium: (more than 40 professionals)

Brent P. DeMay, CPA
Joseph C. Klapka, CPA
Kenneth J. Kobiernicki, CPA
Douglas A. Taylor, CPA

Sikich LLP
Legacy Professionals LLP
ORBA, Ltd
Legacy Professionals LLP

Small: (less than 40 professionals)

Kenny K. Adegoke, CPA
JoAnn E. Cassell, CPA
Nicholas Cheronis, CPA
Jodi L. Dizenzo, CPA
Aimee V. Urnikis, CPA

Washington Pittman & McKeever, LLC
Cassell Plan Audits, Inc
Nicholas Cheronis, CPA
JLD Consulting LLC
Sassetti, LLC

Industry and Government:

Kathryn McAlpine
G. David Nolan, CPA
Daniel V. Schober, CPA
Andrew K. Strimaitis, JD
Mark D. Wachholz, CPA
Mark A. Yahoudy, CPA

Internal Revenue Service
National Life Group
Weiman Products, LLC
Barack Ferrazzano Kirschbaum & Nagelberg LLP
Property Casualty Insurers Association of America
Newport Group

Staff Representative:

Paul E. Pierson, CPA

Illinois CPA Society

APPENDIX A
AUDIT AND ASSURANCE SERVICES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2017 – 2018

The Audit and Assurance Services Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members. The Committee seeks representation from members within industry, education and public practice. These members have Committee service ranging from newly appointed to almost 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of audit and attestation standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of audit and attestation standards. The Subcommittee develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

National:

Timothy Bellazzini, CPA	Sikich LLP
Todd Briggs, CPA	RSM US LLP
Scott Cosentine, CPA	Ashland Partners & Company LLP
Heidi DeVette, CPA	Johnson Lambert LLP
James J. Gerace, CPA	BDO USA, LLP
Michael R. Hartley, CPA	Crowe Horwath LLP
James R. Javorcic, CPA	Mayer Hoffman McCann P.C.
John Offenbacher, CPA	Ernst & Young LLP
Michael Rennick	Grant Thornton LLP
Elizabeth J. Sloan, CPA	Grant Thornton LLP
Richard D. Spiegel, CPA	Wipfli LLP
Kevin V. Wydra, CPA	Crowe Horwath LLP

Regional:

Jennifer E. Deloy, CPA	Marcum LLP
Michael Ploskonka, CPA	Selden Fox, Ltd.
Genevra D. Knight, CPA	Porte Brown LLC
Andrea L. Krueger, CPA	CDH, P.C.

Local:

Arthur S. Gunn, CPA	Arthur S. Gunn, Ltd.
Lorena C. Johnson, CPA	CJBS LLC
Mary Laidman, CPA	DiGiovine, Hnilo, Jordan & Johnson, Ltd.
Carmen F. Mugnolo, CPA	Mugnolo & Associates, Ltd.
Jodi Seelye, CPA	Mueller & Company LLP
Joseph A. Skibinski, CPA	Joseph A. Skibinski, CPA

Industry/Consulting:

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David H. Sinason, CPA	Northern Illinois University
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Staff Representative:

Heather Lindquist, CPA	Illinois CPA Society
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