



# LINECO

August 16, 2017

Michael Santay, Chair, Auditing Standards Board  
Darrel Schubert, Chair, Employee Benefit Plan Reporting Task Force  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036

Transmitted via email to [sherry.hazel@aicpa-cima.com](mailto:sherry.hazel@aicpa-cima.com)

**Re: Proposed Statement on Auditing Standards (SAS), *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA***

Dear Sirs:

We are writing you to express our concerns with the proposed Statement on Auditing Standards (SAS), **Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA**.

The Line Construction Benefit Fund (LINECO) is a multi-employer Taft Hartley Trust established in 1963 to provide health and welfare benefits to the working men and women of the International Brotherhood of Electrical Workers (IBEW) and National Electrical Contractors Association (NECA) employed in the outside electrical construction industry. Today, the Fund provides affordable and wide ranging benefits to nearly 110,000 Americans in all 50 States.

We believe that the proposed **Required Report on Specific Plan Provisions Relating to the Financial Statements** will create significant problems and challenges for our plan and participants. While we support the ASB's goal of improving audit quality, this requirement could result in the auditor reporting information that the plan trustees have no obligation to report in either the plan financial statements or the plan's annual Form 5500 filed with the Department of Labor. Because the auditor's report is attached to the Form 5500, plan participants and regulators would have access to it, perhaps even before the plan administrator has had a chance to address any issues noted.

Furthermore, participants would have no way to distinguish between findings that the auditor may consider to be insignificant and those considered to be more serious. All findings (unless "clearly inconsequential") would be reported the same way. Plan participants and contributing employers may become unduly alarmed by findings included in the report, even when such findings are only routine operating errors, perhaps even already corrected. They may reduce or withdraw their participation in the plan, which could harm our participants' ability to save for retirement or maintain healthcare coverage – the very reason the plan was established.

Additionally, findings of noncompliance may lead to actual or potential litigation. The board of trustees of multiemployer plans, representing an equal number of labor union and management individuals, is especially vulnerable to findings being publicly available - and their magnitude potentially inflated. Relations between labor and management, and between labor union officers and their rank-and-file members, are at times contentious, and the findings could become political fodder.

Moreover, plan trustees may need to provide additional communications to participants to explain the findings, and seek assistance from professionals to do so, thereby reducing their ability to carry out other responsibilities.

Finally, we believe that the additional required procedures and reporting of findings will cause plan expenses to rise. In the case of multiemployer plans, such expenses are paid out of the assets of the plan. We anticipate not only an increase in audit fees due to the additional reporting requirements, but in legal fees as well. Since findings of noncompliance with plan provisions is ultimately a matter of legal determination, plan trustees will need to increasingly consult with ERISA counsel, especially in conjunction with the annual audit.

The cost that is harder to quantify is the "human cost" that may arise out of the unintended consequences described above. If participants are ultimately harmed by an overreliance on the auditor's ability to detect noncompliance, an overreaction to findings reported, or the failure of this proposed SAS to improve audit quality, their ability to obtain needed benefits is jeopardized.

We urge the ASB to reconsider the requirement to report findings of noncompliance for the reasons described above.

LINECO appreciates the Board's consideration of these comments and recommendations. Please feel free to contact me directly at 1-800-323-7268, x222, if you have any questions.

Sincerely,



Kevin J. Chesniak  
Executive Director  
LINECO