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American Institute of Certified Public Accountants
Auditing Standards Board
1211 Avenue of the Americas
New York, NY 10036
sherry.hazel@aicpa-cima.com

Re: Proposed Statement on Auditing Standards (SAS), AU-C Section 703, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*

To Whom It May Concern:

We at Morris J. Cohen & Co., P.C. appreciate the opportunity to comment on the proposed statement on auditing standards on forming an opinion and reporting on financial statements of employee benefit plans subject to ERISA.

General Comments

We understand the needs of our profession to continue improving the quality of EBP audits and support the Auditing Standards Board's overall goal of improving employee benefit plan audit quality to ensure that work performed by plan auditors meets the expectations of the U.S. Department of Labor (DOL). However, we have several concerns regarding key aspects of the proposed standard. We believe certain aspects of this proposed standard are inconsistent to sound audit and reporting practices. Rather than improve audit quality, there are aspects of the proposed standard that we perceive would have the opposite effect by discouraging capable auditors due to resulting increased liability and excessive audit costs that more than likely will not be able to be passed on the client. Additionally, we believe that there will be significant inconsistency in reporting findings and an incentive for sponsors to seek firms that will not report findings, further eroding audit quality.

Specific Comments

1. Limited Scope Opinion – We do not support the revisions to the auditor's limited scope opinion in Illustration 3—*An Auditor's Report on Financial Statements for a Defined Contribution Retirement Plan Subject to ERISA When Management Imposes a Limitation on the Scope of the Audit as Permitted by ERISA*.

   Due to the limited nature of the auditor's procedures over investments, we do not support the proposed unmodified opinion which states *the financial statements referred to above present fairly, in all material respects.* Issuance of an unmodified opinion when we are not auditing the vast majority of the Plan's assets contradicts the general provisions of the reporting standards applicable to management imposed scope restrictions. We believe that a disclaimer would be appropriate.

2. In regards to required audit procedures for reporting on specific plan provisions contained in the proposed standard, the auditor would be required to perform testing of items *irrespective of the risks of material misstatement.* We do not support a requirement that does not take the risk of material misstatement into consideration as it is contradictory to the underlying principles of risk based auditing. Even in engagements performed under Uniform Guidance, with the goal of the expression of an opinion on compliance, the scope of the audit is based on the auditor's assessment of the risk of material noncompliance. Furthermore, the reporting mandated under Uniform Guidance is pursuant to the provisions of law, whereas the proposed reporting is not. We believe that this requirement would significantly increase audit costs due to the testing of immaterial, and sometimes not relevant, items. Additionally, experienced EBP practitioners should already address specific plan provisions in the development of their testing.

3. Reporting of *findings*– The proposed standard would require findings to be included in the audit report or in a different report. EBP financial statements are included with the Form 5500 filing and, as such, are a public document available on the DOL website.

    a. The proposed standard does not include a clear definition of finding and materiality for reporting purposes, or for inconsequential findings not reported. We believe that this will result in a severe inconsistency in reporting practices.
    b. We are concerned that reporting of findings, without context, can potentially lead to increased legal liability to the plan, plan sponsor and auditors, including the risk to the auditor that undetected issues, even in a properly planned and performed audit, are subsequently discovered. In addition, reporting of insignificant findings can create a perception that the audit is designed to discover all findings.
    c. We believe that the fact that the report is a public record could create a disincentive for firms to report such findings. Plan sponsors likely will not want findings made public and, therefore, the proposed requirement could potentially favor the selection of firms that are not industry experts with a strong understanding of compliance issues. Rather than enhance audit quality, we believe that the proposed standard may serve to encourage plans to hire less qualified audit firms.

4. Effective Date – We do not believe that the proposed effective date (for periods ending on or after December 15, 2018) is reasonable or adequate given the breadth of the proposed changes and the need for education, training and outreach to firms.

Again, thank you for the opportunity to comment on this proposed standard.

Sincerely,

Deborah Schneider

Deborah Schneider
Director, Accounting and Assurance Services
Morris J. Cohen & Co., P.C.