

August 21, 2017

AICPA
Attn: Sherry Hazel



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

114 SE 8th Ave
Topeka, KS 66603

To the Auditing Standards Board, Employee Benefit Plan Reporting Task Force, and AICPA Staff:

We are appreciative of the opportunity to provide feedback to the Auditing Standards Board, Employee Benefit Plan Reporting Task Force, and AICPA staff with respect to the Exposure Draft, *Forming and Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*. The following comments are presented on behalf of the Accounting and Assurance Task Force of the Kansas Society of CPAs, a 2,700 member strong association.

While many of the changes recommended are good, we would like to see a corresponding focus on education for the plan administrators by the Department of Labor (DOL). Based on our observations while performing these audits, one of the biggest challenges is the lack of knowledge by plan administrators in regards to their fiduciary responsibilities. While the additional guidance provided for the auditors will be useful, we believe a corresponding education program for the plan administrators will help bridge the knowledge gap.

Our comments are identified by the specific questions in the Issues for Consideration.

1. *Respondents are asked to provide their views on whether*
 - *the procedures and guidance will achieve the objectives of enhancing execution and consistency in these engagements and if not, why; and*
 - *any procedures that should be required are missing, and if so, describe them.*

In general we believe the Exposure Draft has been successful in identifying specific guidance and criteria necessary to complete these engagements. The additional guidance will provide for better execution and consistency for the auditor when completing these engagements.

2. *Respondents are asked to provide feedback on whether the form and content of the proposed auditor's report, including the form and proposed content of the new form of opinion*
 - *provide improved transparency with respect to reporting on an audit of ERISA plan financial statements when an ERISA-permitted audit scope limitation exists, and if not, how could it be revised;*
 - *will improve the auditor's understanding of his or her responsibilities in a limited scope audit resulting in potential improvements in audit quality, and if not, why;*
 - *better describe management's responsibilities for the financial statements, and if not, why;*
 - *provide sufficient clarity to users with respect to the auditor's responsibilities and matters reported, and if not, why.*

We believe the proposed auditor's report will provide the transparency necessary for a user to understand the requirements under an ERISA-permitted audit scope and the auditor's

responsibilities related to these matters. In addition, it better outlines and clarifies these responsibilities for the auditor. This should help establish consistency with respect to the procedures necessary to perform under this type of engagement.

3. *Respondents are asked for their views about the proposed interaction of AU-C section 705 and the proposed SAS when the ERISA-permitted audit scope limitation is imposed by management including*
- *whether the guidance in paragraphs 31 and 34 of the proposed SAS (a) is clear with respect to the auditor’s responsibilities for addressing the circumstances described previously, and (b) achieves the objective of providing transparent reporting to the users, and if not, suggested revisions.*
 - *the form and content of the example reports (nos. 5–7) illustrating qualified and disclaimers of opinion regarding the application of the guidance in paragraphs 31 and 34.*

We believe the modifications suggested would help provide a clear description of the auditor’s responsibilities and provides transparency. In addition, the form and content of the examples appear appropriate.

4. *Respondents are asked to consider whether the situations identified are appropriate for requiring the inclusion of emphasis-of-matters paragraphs in the auditor’s report. Respondents are also asked to consider whether there are additional situations that should result in a required emphasis-of-matter paragraph.*

We believe the emphasis of a matter paragraphs were appropriate for the examples provided. We have no additional examples to suggest at this time.

5. *Respondents are asked to provide feedback on whether*
- *the current reporting of internal control deficiencies to those charged with governance is sufficient; and/or*
 - *there are other reporting considerations the ASB should evaluate.*

We believe the current internal control deficiency communication is appropriate and additional disclosure in the auditor’s report is not considered necessary. While internal control deficiencies are an important communication tool to management, we do not believe it would be necessary to share this detail with users of the financial statements through a separate section of the audit report or other public record.

6. *Respondents are asked to provide feedback about the required procedures discussed in paragraphs 15–16, and the reporting of findings discussed in paragraphs 119–124 of the proposed SAS, including views regarding the following:*
1. *With respect to the required procedures in paragraphs 15–16*
 - a. *Will these requirements enhance the consistency and quality of the audit work performed relating to matters that could have a direct effect on the financial statements, including related disclosures, and if not, why?*
 - b. *Does the proposed SAS provide appropriate guidance on achieving these requirements, including*
 - i. *which provisions of the plan instrument should be tested; and*
 - ii. *to what extent testing should be performed?*
 - c. *What procedures related to other plan provisions or specific areas of the financial statements should be included in the required testing to enhance the usefulness of the proposed reporting of the findings?*

2. *With respect to reporting on the findings resulting from performing procedures related to the areas in paragraphs 119–124, whether there are opportunities to enhance the proposed requirements and guidance including whether:*

a. Including the list of individual areas tested is appropriate and if so whether there are other items that should also be included (if not, why not).

b. The requirement to exclude findings that are “clearly inconsequential” is appropriate, and if so is there guidance the ASB can consider to drive consistency in application in practice?

c. The findings should also include any matters identified by management or the plan administrator? [Note: As currently drafted, the proposed SAS requires the auditor to include findings that were noted as part of the auditor’s work performed in relation to paragraphs 15–16.]

d. The reporting illustrations included in the Exhibits to the proposed SAS specific to reporting the findings are clear and result in sufficient information to the user of the report?

e. There may be unintended consequences from including the findings in the auditor’s report, and if so, what those unintended consequences may be and how might they be mitigated?¹

f. there are alternatives to reporting the findings in the auditor’s report that would achieve the objectives related to enhancing audit quality?

3. *Whether the required additional procedures and reporting of findings will result in additional costs, and if so, views as to the extent of those costs and whether they outweigh the potential benefits of enhanced audit quality?*

We believe the procedures identified will improve consistency and provide clarity to auditors when completing limited-scope audits. However, there are still many plans that are just over the audit requirement (e.g. less than 200 eligible employees but over 100) that could see an increase in fees, potentially significantly, due to the additional work required under the proposed standard. There are still numerous plan administrators that don’t completely understand the responsibilities they have when accepting the title of Plan Administrator. We believe the Department of Labor needs to do a better job of education in this area.

7. *Respondents are asked for their views about whether the proposed procedures in paragraphs 36–48 of the proposed SAS would achieve the objective of increased consistency with respect to identifying information in the Form 5500 that may be relevant to the audit of ERISA plan financial statements, and if not, why?*

We believe the procedures identified will improve consistency and provide clarity to auditors when reviewing the Form 5500 in conjunction with the ERIS plan financial statement audits.

8. *Respondents are asked whether*

a. the proposed approach of creating a new reporting model for reporting on ERISA plan audits (AU-C section 703) will better describe management’s and the auditor’s responsibilities in these engagements;

b. the proposed amendments to the other AU-C sections are appropriate; and

c. whether there are other sections of AICPA Professional Standards that might need to reflect the provisions of this proposed SAS.

We believe the procedures identified will improve consistency and provide clarity to auditors when completing limited-scope audits. We believe the proposed AU-C sections are appropriate given the

details. We have identified no additional sections of the AICPA Professional where updates are deemed necessary due to these provisions.

9. *Respondents are asked whether the proposed effective date provides sufficient time for preparers, auditors, and others to adopt the new standard and related conforming amendments.*

The proposed effective date will provide sufficient time for implementation.

As we mention above, we believe the transparency and clarification the Exposure Draft provides will help promote consistency but we also recommend that there be an equal amount of emphasis on an education program for the plan administrators.

Thank you for the opportunity to comment on this Exposure Draft. We appreciate the opportunity to voice our opinion on this topic.

Sincerely,



Brandi DiGiorgio, Chair
KSCPA A&A Task Force