



1745 North Brown Road – Suite 350 – Atlanta, Ga 30045

August 24, 2017

American Institute of Certified Public Accountants
Auditing Standards Board
Via Email: Sherry.Hazel@aicpa-cima.com

Re: Comment Letter on Proposed Statement of Auditing Standards: Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA

To Whom It May Concern:

Allinial Global is a world-wide association of 120 independent CPA firms (1,497 partners, 9,171 professional staff). In a recent Audit Analytics survey, our members were ranked third in the number of employee benefit plan (EBP) audits performed (2,996 audits/ 12.9% market share). We have an active EBP Community which works to share best practices among our members.

Thank you for the opportunity to review and comment on this proposed auditing standard. The work that the Auditing Standards Board (ASB) does is a critical component of the continuing efforts of our profession to improve the quality of audits nationwide, and from having read the Department of Labor's (DOL's) study on audit quality, it is clear that employee benefit plans (EBPs) require and deserve more attention.

That said, we do respectfully submit that in this circumstance, we believe the proposed auditing standard goes beyond the parameters of meeting these requirements. We are deeply concerned that should this proposed standard be approved, information will be released into the public domain that will be damaging to plan administrators, plan sponsors, and plan auditors and may also subject auditors to significant risks of litigation despite them doing the right thing. Further, this will add additional costs into the auditing and reporting process.

Our specific concerns are set forth below:

RISKS FROM REPORT OF FINDINGS ON SPECIFIC PLAN PROVISIONS

Several years ago, the DOL made the Form 5500 public information using their EFAST system to enhance transparency in EBPs, and we are supportive of continuing those efforts to the benefit of the plan participants. However, we have concerns that the data available online may be used not only to the benefit of the plan participants, but rather to the benefit of plan vendors who mine for business development purposes. When information provides opportunities for plans to run more cost effectively, this can be a good thing, but, it has been proven that the lowest cost isn't necessarily the best decision. The level of service provided by vendors may be completely inconsistent with the existing service parameters, and there may truly be significant value to a plan by using services that best suit their needs. In fact, we would submit the challenge that rarely do participants access this information themselves.

The newly proposed report presents several significant risks to the EBP industries. First, by making this report a part of the annual plan audit, the information would be published in the public domain. Disclosing this information publicly may have several unintended detrimental impacts:

1. We have heard some compare these new reports to what is already required for certain non-profits that have an A-133 requirement. When those reports are filed with the Federal Clearinghouse, they have become available to the public just within the last year. The A-133 reporting is performed pursuant to provisions in the law and would include reporting of material weaknesses in internal controls, whereas these proposed reports are not subject to any law or regulation, but rather due to the ASB providing a concession to the DOL's desire to have more information. If the DOL wants more information on the application of specific procedures, they should take the necessary legislative channels to obtain statutory authority for obtaining this information.
2. Highlighting specific plan provisions, procedures applied to audit those provisions, and findings from those procedures can negatively impact plan participants. We can envision circumstances where vendors review the reports online and contact plan sponsors to convince them to change plan provisions to save money for the sponsors, but not necessarily for the benefit of the participants. We can even see unscrupulous marketers for audit firms, seeking new clients for themselves, using the information to criticize the incumbent auditors and the procedures they applied. This could create big issues for auditors around the topic of opinion shopping, which can also lead to reductions in quality of audits.

3. Auditors who are experienced in EBP audits are likely already performing most of the procedures addressing specific plan provisions. These auditors do have available to them the use of their own risk assessments and auditor judgment that might allow, in certain circumstances, reductions in scope of testing if they have deemed the risk in a specific area to be particularly low. This new report of findings would essentially eliminate the auditor's ability to make such judgments and would require procedures in all areas despite assessed risks, which in turn, would increase the costs of audits even for those firms that are already doing high quality work.

We would not feel as strongly opposed to this new reporting if the intent were to assist the DOL in a compliance perspective and was without publicly available information. If the DOL were to agree and their systems were to allow such privacy, that would be an improvement over what is currently being proposed.

A strong concern is that these reports, even if not made public information, will create significant additional stress between auditors and plan sponsors. These reports would turn the auditor into the DOL's "watchdog" and plan sponsors will be concerned about increasing risks of DOL (or IRS) investigation from what the DOL might perceive to be red flags. If there are significant findings in an audit, auditors already have a responsibility to report such findings to governance of the plan sponsor pursuant to SAS 115, assuming that those significant findings would most likely be either significant deficiencies or material weaknesses in internal controls. Having to report on insignificant findings could lead to problems for auditors, including the risk of litigation if issues are later found in a plan, which were not detected in audit testing. This is truly an inherent risk in any audit because of the concept of sampling - the larger the population grows, the more unlikely sampling will find the proverbial "needle in a haystack."

Under existing correction programs with the DOL and IRS, there are appropriate provisions already in place for plan sponsors to identify necessary corrections to get them addressed in a manner which is private between the plan, the plan sponsor, and the agency. We see an adverse impact by making these findings public information in that it could detrimentally impact the plan's ability to obtain appropriate corrections.

IMPACT TO AUDITORS' REPORTS

We have several comments regarding the auditor reports:

1. We would like to note that we consider the use of expanded emphasis of matter (EOM) paragraphs in the audit report to be duplicative and unnecessary. If such issues exist within the plan, the footnotes to the plan's financial statements should

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disclose those matters. We would be supportive of EOM paragraphs if there are significant issues within the plan that the auditor determines should be disclosed but the plan refuses to disclose. Our presumption, however, is that plans would add disclosures to keep those EOMs out of auditor reports. Furthermore, we don't believe that the profession should dictate what does or does not belong in an EOM paragraph, as that detracts from the auditor using professional judgment.

2. We strongly object to the wording in the new proposed limited scope report (illustration 3) – with this scope limitation, despite it being permitted under ERISA, it should still be a disclaimer of opinion and it is being presented as expressing an opinion. Conceptually, we cannot express an opinion on the financial statements as a whole when we are not auditing the vast majority of assets of a plan. We prefer some of the other language that better explains what an auditor is excluding from the audit.
3. We recommend that the effective date of this standard be established at least two years after the issuance of the standard so there is ample time for communication to, and training of, auditors as to how this will impact their audits in the future.

We appreciate this opportunity to comment on this proposed standard and would be happy to discuss this further with you. Please contact Terry Snyder with any further inquires.

Sincerely,



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