

August 18, 2017

Sherry Hazel
Auditing Standards Board
American Institute of CPAs
Sherry.Hazel@aicpa-cima.com

RE: Proposed SAS: *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*

Dear Ms. Hazel:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The PSC is pleased to provide our comments regarding the above referenced Exposure Draft.

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

Our committee did not identify any procedures that should be required that were missing from this Exposure Draft.

The members of our committee felt the situations identified were appropriate and did not identify any additional situations that would require inclusion of emphasis of matter paragraphs other than those already included in the proposed Exposure Draft.

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

We believe the audit of the ERISA plan financial statements with the ERISA-permitted audit scope limitations provides adequate transparency of the limitations existing in such a report. Also, we do not have any substantive improvements to suggest regarding better clarity regarding the limitations or management’s and the auditor’s responsibilities.

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

In our deliberation of the Exposure Draft, our committee concluded that the proposed interpretation of AU-C section 705 with the ERISA-permitted scope limitation is appropriate for the circumstances described. As AU-C section 705 is already well established in practice, it appears to be a clear and logical approach for the auditor to follow when other scope limitations or significant audit issues are encountered. It also achieves the objective of providing transparent reporting to the users.

The form and content of the example reports (nos. 5 – 7) illustrating qualified and disclaimer opinions regarding the application of the guidance in paragraphs 31 and 34 are also clear with respect to the auditor’s responsibilities and achieves the goal of reporting transparency.

Issue 4 – Required Emphasis-of-Matter Paragraphs

Our committee felt the situations identified were appropriate. Further, we did not identify any situations that would require inclusion of emphasis of matter paragraphs other than those that had already been identified in the proposed guidance.

Issue 5 – Reporting Internal Control Deficiencies

We concur with the ASB’s conclusion that the proposed SAS should not include a requirement to disclose in the auditor’s report a description of significant deficiencies or material weaknesses in internal control that may be identified as part of the audit engagement. We believe that the current reporting of internal control deficiencies to those charged with governance is sufficient and that no other reporting consideration of internal control deficiencies should be considered.

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

- 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?**

We believe that all of these items are already required. The firms represented by the members of our committee regularly perform all of these tests. In our opinion, it is up to the auditor to perform these tests on a consistent basis. We believe the shortcomings that exist are a result of auditors who choose not to follow the requirements.

- b. **Does the proposed SAS provide appropriate guidance on achieving these requirements, including i. which provisions of the plan should be tested; and ii. to what extent testing should be performed?**

We believe the proposed SAS provides adequate guidance on achieving these requirements. Regarding which provisions of the plan to test, as well as the extent of such tests, we believe these issues should be left to the auditor’s judgment. The auditor involved in the engagement is the person best suited to make these decisions.

- c. **What procedures related to other plan provisions or specific area of the financial statements should be included in the required testing to enhance the proposed requirements and guidance?**

We believe the procedures included in the proposed SAS are extensive enough to accomplish the objective of the engagement. If the auditor is uncertain regarding his/her feelings regarding the financial statement, then he/she should be responsible for deciding on any additional procedure to be applied.

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.**

We are opposed to listing all of the areas tested due to the questionable usefulness of such a procedure. Clients are most often interested in minimizing the amount of time related to such engagements. The cost/benefit of this additional procedure is questionable at best.

- 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?**

Yes, excluding clearly inconsequential findings is appropriate and we believe the ASB guidance in this matter is adequate.

- c. The findings should also include any matters identified by management or the plan administrator?**

Our opinion regarding this question is similar to our opinion expressed in question **b** above. We question the relevance of “matters identified by management or plan administrator” being included in the findings. Such an inclusion serves no useful purpose in our opinion.

- 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?**

We find the reporting illustrations to be both clear and sufficient.

- 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?**

We believe there could be extensive unintended consequences. Listing such consequences is a monumental task that may well be never ending. Thus, we find making a list of such potential unintended consequences to be an unnecessary exercise.

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

Yes, we believe there are alternatives to reporting the findings in the report. Unless the plan is very poorly administrated, it is our belief that a phone call or email message will suffice in dealing with such issues as discussed in the proposed standard. Auditors are already required to send a governance letter which we believe, in most cases, would cover the intentions of the proposed standard.

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 are of the opinion that if this proposed standard becomes effective, additional costs will result. Accordingly, while we don't think such costs will be extensive in most plan audits, we do believe these costs would outweigh the benefits sought.

Issue 7 – Required Procedures Relating to the Form 5500

The consensus of our committee members is that the proposed procedures in paragraphs 36-48 of the proposed SAS would achieve the objective of increased consistency between identifying information in Form 5500 relevant to ERISA plan financial statement audits.

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

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?

We support the proposed approach of creating a new reporting model for reporting on ERISA plan audits with the objective to 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

The proposed amendments to the other AU-C sections are appropriate.

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

We are not aware of other sections of the AICPA Professional Standards that might need to reflect the provisions of this proposed SAS.

Issue 9 – Proposed Effective Date

We believe the proposed effective date provides sufficient time to adopt the new standards along with the related conforming amendments.

We appreciate the opportunity to provide input regarding the proposed statement on auditing standards.

Sincerely,



Ken Sibley, CPA
Chair, Professional Standards Committee