WISS
A Partner to Grow With

September 28, 2017

Dear Ms. Hazel:

Wiss & Company is pleased to comment on the ASB's proposed Clarified Statement on Auditing Standards Update (AU-C) *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA.*

We support the Board's continuous efforts to improve the quality of the Auditing Standards. The appendix of this letter contains our responses to the proposed AU-C questions for respondents.

We appreciate the opportunity to comment on the proposed AU-C. If you have any questions concerning our comments, please contact Dino Zicopoulos at 973-577-2525 or Craig Erickson at 973-577-2551.

Yours truly,

Dino Zicopoulos
Partner-in-Charge of Technical Services

Craig R. Erickson
Partner-in-Charge of Employee Benefit Plans

WISS & COMPANY, LLP | 354 Eisenhower Parkway | Suite 1850 | Livingston, NJ 07039 | 973.994.9400 | wiss.com

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

You have requested us to provide our 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*

We believe that the proposed paragraph 20A-C would enhance audit execution and provide useful guidance to the audit practitioner and develop consistency within the practice. However, we do believe that 20d of the proposed standard may not mirror the expectations that a reader of the financial statements may possess for the auditor, based on the language in the auditor's report stating "*evaluating whether the form and content of the certified investment information...*". Therefore, we recommend removing both the specific language noted above in the auditor's report and paragraph 20D from the proposed exposure document. Refer to issue 2.

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

You have asked us to provide feedback on the form and content of the proposed auditor's report, including the form and proposed content of the new form of opinion.

Please see below for our responses to your questions.

- *Provide improved transparency with respect to reporting on an audit of ERISA plan financial statements when an ERISA-permitted audit scope limitation exist, and if not, how could it be revised;*

  We do believe that it does provide improved transparency.

- *Will improve the auditor's understanding of his or her responsibility in a limited scope audit resulting in potential improvements in audit quality, and if not, why;*

  We do not believe the form and content of the proposed limited scope audit report would improve an auditor's understanding of his or her responsibility. We believe the best approach to enhance an auditor's understand of his or her responsibilities is through CPE, technical training and experience.

- *Better describe management's responsibility for the financial statements, and if not why;*

  We believe the reporting does provide clarity to the reader with respect to management responsibilities.

- *Provide sufficient clarity to users with respect to the auditor's responsibilities and matters reported, and if not, why.*

  We believe that the proposed guidance provides clarity with respect to the auditor's responsibility to the user of the financial statements. However, we believe statement d under the "Auditor's Responsibility" *"evaluating whether the form and content of the certified investment information* *presented and disclosed in the financial statements are in accordance with accounting principles generally accepted in the United States of America"* would result in the user of the report, assuming that the auditor has done additional procedures other than required under 20D of the proposed ASU. We recommend deleting the statement noted above from the auditor's responsibility from the limited scope audit report to avoid confusion.

As noted above, the proposed guidance will provide the reader with more transparency with respect to reporting on limited scope audits and also clarity on an auditor's and manager's responsibility. We also believe that the current financial reporting requirements does provide the reader of the financial statements with a clear understanding of the requirements of a limited scope audit and changing the reporting requirement would not result in the desired impact the ASB is looking for. We would encourage the ASB to consider keeping the current reporting structure.

Issue 3 - Modification to the Opinion in the Independent Auditor's Report

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, suggest 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 that the guidance in paragraphs 31 and 34 of the proposed SAS is currently being performed by accounting firms and by including these paragraphs will provide further clarity.

In practice there are 403B plans in which firms are unable to audit the participants opening balances relating to years prior to the 403B plans became subject to the auditing requirement. The DOL has allowed accounting firms to include the disclaimer language relating to participants' opening balances as part of the limited scope audit opinion. The exposure draft would result in accounting firms issuing a disclaimer opinion as oppose to a limited scope opinion on such plans that the participant opening balances are unable to be audited. This may result in the DOL rejecting the reports. We recommend that an exception be made for such 403B plans to allow accountants to issue a limited scope opinion, with an emphasis matter paragraph for the participants opening balances relating to the year 403B plans became subject to the auditing requirement as oppose to a disclaimer opinion.

Issue 4 - Required Emphasis-of-Matter Paragraphs

You have asked to consider whether the situations identified are appropriate for requiring the inclusion of emphasis-of-matter paragraphs in the auditor's report. You also asked to consider whether there are additional situations that should result in a required emphasis of matter paragraph

We request further clarity with respect to the term "significant" in paragraph 116A and C. We believe that firms will interpret significant differently and this may lead to inconsistency in practice in determining whether or not to include emphasis matter paragraph in the report.

Issue 5 - Reporting Internal Control Deficiencies

You have asked us to provide you 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 agree with the ASB conclusion that the proposed SAS should not include a requirement to disclose, in a separate section of the auditor's report, a description of significant deficiencies or material weaknesses in internal control identified as part of the audit engagement. We also believe it is sufficient to communicate those matters to those charged with governance as currently being performed in practice.

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

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?*

We believe the guidance will enhance consistency in practice. However, we do believe most firms are already performing such procedures as part of that audit practice.

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?*

With respect to bi, we believe the proposed SAS provides appropriate guidance on achieving these requirements and this exposure draft will transition the guidance into GAAS. For bii, the guidance does not provide the extent of testing that needs to be performed on this matter. We recommend that examples should be provided and bii should be addressed in greater detail.

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?*

We did not note any additional procedures that should be included as part of the proposed standard.

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).*

We believe the list of individual areas tested is appropriate and have no further suggestions.

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?*

We believe this to be appropriate; however, we recommend defining what is clearly inconsequential. We also recommend providing examples of what is clearly inconsequential, knowing that the DOL does not have a materiality threshold.

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]*

We believe this will create confusion and lead to misunderstanding by the reader. It can also have potential legal issues and can be a legal burden on plan administrators and audit firms. This will create additional work for firms along with an increase in costs and completing jobs, causing delays on issuing financial statements by the statutory deadlines. For instance, a participant who reads the reports may not fully understand the findings and become confused, resulting in multiple calls to plan administrator, threatening litigation due to confusion, etc. We recommend not including the finding in the report. We believe the current reporting of finding as part of the management communications to be acceptable under the standard AU-C 260/265 letter.

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 believe that Illustration 4 should not be included as discussed above in C.

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 are supportive of enhancing audit quality in ERISA audits, but we believe this reporting requirement will add costs and complexity to an ERISA audit. In addition, the placement of the wording within the auditor's report unintentionally links its content with the auditor, therefore raises the auditor's risk as well as client's risk. Also, depending on the severity of the matter/issue and the wording of the language, a legal issue can possibly stem from this.

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

As noted above, we recommend removing the finding sections from the report and only communicating such findings to those charged with governance as currently being performed in practice.

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 costs will outweigh the benefits and will not improve the overall quality. Refer to 6 (2) c and e above.

Issue 7 - Required Procedures Relating to the Form 5500

You have asked us for our 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 not.

> We believe the exposure draft did not change existing requirements; however, performing a reconciliation to the Form 5500 and financial statements is not mentioned in detail and we do not believe the procedures in paragraphs 36-48 enhances the consistency of the reporting of the Form 5500 and financial statements.

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

You asked for response regarding:

a. *The proposed approach of creating a new reporting model for reporting on ERISA plan audits (AU-C section 703) will better describe managements and the auditors responsibilities in these engagements*

We believe the proposed ASU clarifies the procedures the auditor should perform. However, we do not believe the ASU better describes the auditor's responsibility. The auditor's responsibility is better learned through training, experience, etc.

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

Please refer to our comments above with respect to the sections we believe are not appropriate with this proposed amendment.

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 any AICPA professional standards that would need to be modified as part of the SAS.

Issue 9 - Propose Effective Date

We believe the proposed standards should be effective for years-ending after December 15, 2021. We believe that having this be effective as of 2022 date would provide auditing firms time to implement the proposed ASU requirements and to train the appropriate personnel. Additionally, the above effective date takes into consideration the Revenue and leasing standards and applying early would create undo pressure for audit firms.