



September 29, 2017

American Institute of Certified Public Accountants  
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*Submitted via email to Sherry Hazel at [sherry.hazel@aicpa-cima.com](mailto:sherry.hazel@aicpa-cima.com)*

**RE: Proposed Statement on Auditing Standards**

To Whom It May Concern:

The ERISA Industry Committee (ERIC) and the U.S. Chamber of Commerce (Chamber) are pleased to respond to the request by the American Institute of Certified Public Accountants (AICPA) for comments regarding the Proposed Statement on Auditing Standards, Forming an Opinion and Reporting on Financial Statements of Employee Benefits Plans Subject to ERISA (Proposal). In general, we are concerned about the breadth of the Proposal and the impact it will have on the ability to use limited scope audits. Specifically, we are concerned that the additional reporting requirements could create unnecessary tension between auditors and plan sponsors and make it more difficult for plan sponsors to work with regulated service providers such as insurance companies and bank collective trusts. Further, the draft report's lack of an economic analysis prevents a detailed review.

ERIC is the only national association that advocates exclusively for large employers on health, retirement, and compensation public policies at the federal, state, and local levels. ERIC's members each have over 10,000 employees, living and working in states across the country. ERIC members provide comprehensive health and retirement benefits to tens of millions of active and retired workers and their families, providing them with retirement security and wellbeing. ERIC has a strong interest in proposals that would unnecessarily increase the cost of operating a retirement plan, which only harms retirement security in America.

The Chamber is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region. Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business—manufacturing, retailing, services, construction, wholesaling, and finance—is represented. Also, the Chamber has substantial membership in all 50 states. Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

## INTRODUCTION

As explained in this letter, we are concerned with the overall need for this Proposal as well as several specific proposed changes in the audit procedures for employee benefit plans that have the potential to severely disrupt the retirement system. The following is a summary of each point that will be covered in this letter:

1. The scope of the proposed changes are overly-broad and could discourage the use of limited scope audits.
2. The additional audit requirements change the nature of the audit process and disrupt the relationship between plan sponsors and auditors.
3. The scope of the changes in the Exposure Draft requires an economic analysis to show the economic impact of the proposed changes.
4. Future work on this Proposal should be delayed until the revised Form 5500 is finalized.

## COMMENTS

**The scope of the proposed changes are overly-broad and could discourage the use of limited scope audits.** The AICPA is very open in acknowledging that the Department of Labor (DOL) was the impetus for this review of auditing standards. This is of particular concern because the Chamber and ERIC have opposed several attempts by the DOL to expand requirements for, or restrict, the limited scope audit. Now it appears that the DOL is attempting a new method to change procedure where it was previously unsuccessful.

The limited scope audit allows an auditor to forego the audit of investment information certified by certain banks or insurance carriers. Because banks and insurance companies are heavily regulated, the auditing of certified information is not only redundant but also adds unnecessary costs for plan sponsors with few protections for plan participants. Moreover, reconsideration of the limited scope audit rules seems to be addressing a problem that does not exist. To our knowledge, the use of limited scope audits has not led to fiduciary breaches or created situations that have left participants vulnerable. At a time when we want to encourage employers to sponsor and maintain retirement plans, adding additional costs and layers of administration on top of plan sponsors is simply wrong.

In the background section of the Proposal there is reference to the DOL report entitled, *Assessing the Quality of Employee Benefit Plan Audits*<sup>1</sup>. The DOL report, issued in 2015, found that 39 percent of audits had one or more major deficiencies with respect to one or more major requirements of generally accepted auditing standards. The Proposal uses this report as a basis for many of the proposed changes. However, the DOL report did not recommend any of the changes included in the Proposal. A particular focus was placed in the DOL report on smaller audit firms that do not handle a large number of employee benefit plan audits due to the fact that

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<sup>1</sup> See Department of Labor, Employee Benefits Security Administration, Office of the Chief Accountant May 2015 report entitled, *Assessing the Quality of Employee Benefit Plan Audits*, May 2015. The full report is available online at: <https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/assessing-the-quality-of-employee-benefit-plan-audits-report.pdf>

a majority of deficiencies in the audits were from these smaller audit firms. The DOL report recommended a focus on proper training for auditors at these smaller firms as well as other recommendations. However, none of these recommendations stated a need for a revamped audit process. Consequently, we strongly encourage AICPA to revoke this Proposal and focus on the training standards in place to properly train auditors of employee benefit plans. We do not intend to single out smaller firms; rather, any proposal from AICPA that focuses on training programs should be applicable to all firms.

**The additional audit requirements change the nature of the audit process and disrupt the relationship between plan sponsors and the auditors.** The Proposal would require auditors to review specific employee benefit plan provisions for operational compliance. These proposed changes to the audit procedures clearly overstep the line between an audit of financial data of an employee benefit plan and operational procedures that are typically reviewed by federal regulators. While it can be appropriate for an experienced auditor to test certain plan provisions for operational compliance, the changes set forth in this Proposal would require extensive review of plan provisions, along with the possibility of even insignificant errors being noted on an audit report that will become publicly available.

Most plan compliance errors can be self-corrected through Internal Revenue Service procedures. A notation on an audit report, along with a response from the plan sponsor, only adds unnecessary work and expense to the plan sponsor who already has the ability to identify and correct such errors outside the plan audit process. We encourage AICPA to remove these proposals that would expand the plan audit process. In addition, we request that AICPA release additional information on how this expansion of plan audit procedures would adhere to the issues raised in the DOL report, which were focused on the training of plan auditors.

Furthermore, we are concerned with the possibility of insignificant errors stated on an audit findings report that is attached to the Form 5500. As you know, the Form 5500 is made publicly available. Under current law and regulation, a plan sponsor of an employee benefit plan may correct certain plan compliance errors voluntarily with the appropriate federal agency. The inclusion of an error in which a plan sponsor may correct (or has already corrected) on a public document, could increase the amount of a time the plan sponsor must spend on responding to inquiries or even facing frivolous lawsuits on the error. In the end, the cost to operate a plan will only increase if more time must be spent on inquiries and lawsuits. We request that this provision be removed or significantly altered so as to not regulate a matter that a plan sponsor may correct via established federal procedures.

**The scope of the changes in the Proposal requires an economic analysis to show the economic impact of the proposed changes.** Predictability and stability are cornerstones of the voluntary retirement system for both plan sponsors and participants. Any new regulatory action or other proposal that alters the operation of a retirement plan will most likely increase the cost to operate a retirement plan. We must carefully review these proposals to weigh the positive impact any new action would have on the retirement system versus any detrimental impact to plan operation and cost. Unfortunately, we do not believe the Proposal advances retirement

security; rather, it would lead to a drastic increase in the cost to operate a retirement plan for the plan sponsor and a reduction in flexibility on the type of service provider selected. Of particular concern is the impact these proposed changes would have on the ability of smaller firms who may not be able to implement the new procedural requirements; in effect, pushing them out of the market and driving up the costs to the plan sponsor due to a diminished pool of audit firms.

**Future work on this Proposal should be delayed until the revised Form 5500 is finalized.**

The Proposal has direct links to the Form 5500, an important annual filing required for most employee benefit plans. In 2016, the agencies that oversee the Form 5500 proposed a massive overhaul of the form and accompanying schedules. We request that AICPA halt all work on this Proposal until the proposed rules on the Form 5500 are finalized. If the proposed rules on the Form 5500 are finalized, it will require a significant undertaking by the plan sponsor and auditors to comply with the new form and accompanying schedules. An appropriate amount of time should pass after implementation of the new Form 5500 prior to any massive shift in audit procedures.

**CONCLUSION**

We appreciate the opportunity to offer these comments. If you determine to move forward with this Proposal, we look forward to working with you and all interested parties to ensure that any changes bring about benefits without unnecessary burdens.

Sincerely,

The ERISA Industry Committee  
U.S. Chamber of Commerce