

## AICPA Proposes Major Changes to the Auditor's Report

In response to a request made by the Department of Labor (DOL), the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) is revisiting the reporting model for audits of employee benefit plans. DOL staff joined the AICPA's taskforce to develop ways to improve the quality of plan audits by enhancing the auditor's report.

In an Exposure Draft issued April 20, 2017, the AICPA proposed its revisions and asked for comments and feedback by August 21, 2017.

The most sweeping change would require auditors to test compliance with plan provisions and regulations, irrespective of materiality, and to report any and all findings in the auditor's report unless the findings are "clearly inconsequential". Although auditors would not be forming a conclusion or opinion on the plan's compliance with provisions and regulations, they would be required to report related findings.

Quality auditors already perform such tests, but they may not perform them to the extent required under the proposal, and they are not currently required to include findings in the body of their report.

Under current practice, auditors share findings with plan management, and if warranted in their judgment, communicate certain deficiencies in writing, in the form of a management recommendation letter addressed to the trustees, solely for their use in overseeing plan operations. Under proposed standards, findings included in the auditor's report would now be attached to the Form 5500, a publicly available document.

In our comment letter to the AICPA, Legacy Professionals LLP urged the Auditing Standards Board to reconsider the report on findings because we believe the proposed model will not only fail to achieve the desired consistency in audit quality, but would also cause significant unintended consequences. We are concerned that the publicly available findings may become inflated as to their severity and magnitude, and foresee a rise in audit and legal fees, an additional burden to already underfunded plans.

While we welcome proposals that improve the quality of employee benefit plan audits, we are not hopeful that this objective can be achieved through revisions to the audit reporting model. In our comment letter, we appealed to the AICPA to strengthen continuing professional education and to enhance oversight of the poor quality auditors, as we feel these initiatives are more likely to strengthen and improve quality.

We strongly urge you to communicate your own concerns to the AICPA and would be happy to assist you in that process. For a copy of Legacy's comment letter, please contact us at [info@legacypas.com](mailto:info@legacypas.com). [Click here to read the AICPA Exposure Draft.](#)

Written by: Eileen Brassil, CPA, CFE, [ebrassil@legacypas.com](mailto:ebrassil@legacypas.com)

Legacy News Flash 17-4

Issued 7/31/2017