

Documentation of the Auditor’s Evaluation of a

Limited Scope Audit Certification

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| PLAN NAME: | CLIENT NUMBER: |
| PLAN YEAR END: | NAME OF CERTIFYING INSTITUTION: |
| CERTIFICATION DATE: |  |

Note:

This non-authoritative tool is designed to assist auditors in documenting, in accordance with [AU-C section 230, Audit Documentation](https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AU-C-00230.pdf)(AICPA, *Professional Standards*), their evaluation of whether a certification provided by a qualified institution meets the requirements of [Title 29 U.S. Code of Federal Regulations (CFR) Part 2520.103-8](https://www.gpo.gov/fdsys/pkg/CFR-2009-title29-vol9/pdf/CFR-2009-title29-vol9-sec2520-103-8.pdf). It should be tailored to the firm’s employee benefit plan audit practice and the circumstances of the individual audit.

This tool is not intended to be used as an audit program or to provide authoritative guidance. The AICPA Audit and Accounting Guide, *Employee Benefit Plans,* provides guidance for performing a limited scope audit.

This document has not been approved, disapproved, or otherwise acted on by a senior technical committee of the AICPA.

# The Limited Scope Audit

Under certain circumstances, plan management may elect to adopt an exemption under ERISA Section 103(a)(3)(C) that allows plan administrators to instruct the auditor not to perform any additional procedures with respect to the investment information prepared and certified by a bank or similar institution or by an insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency. This limited scope audit exemption is implemented by [Title 29 U.S. Code of Federal Regulations (CFR) Part 2520.103-8](https://www.gpo.gov/fdsys/pkg/CFR-2009-title29-vol9/pdf/CFR-2009-title29-vol9-sec2520-103-8.pdf) that outlines the DOL’s rules and regulations for reporting and disclosure under ERISA.

This exemption applies only to the investment information certified to by the qualified certifying institution and *does not* extend to:

* Participant data
* Contributions
* Benefit payments
* Required financial statement disclosures
* Other information, regardless of whether it is included in the certified information
* Plan investments held by the certifying institution or investment income information that are not specifically included in the certification
* Plan investments not held by a qualified institution, such as real estate, leases, and mortgages
* Self-directed brokerage accounts or participant loans that are not held by the qualified institution

Investments and other information not covered by the limited scope certification are subject to full scope audit procedures. In addition, amounts reported by the certifying institution as being received from, and disbursed at the direction of, plan management or other authorized parties are subject to audit procedures to evaluate whether such transactions have been properly determined in accordance with the terms of the plan and that the information included in the financial statements and supplemental schedules has been presented in compliance with the DOL’s rules and regulations.

***Note:*** Loans to participants in defined contribution plans (i.e., notes receivable from participants) are not considered investments for financial reporting purposes, but sometimes the limited scope certification extends to such loans. Because the Form 5500, *Annual Return/Report of Employee Benefit Plan* requires that loans to participants be presented as plan investments, the auditor may limit the scope of testing with regard to loans to participants covered by the certification if they are held by a qualified institution. However, in such cases the amounts received or distributed still would be subject to audit procedures to evaluate whether they were determined in accordance with the plan’s provisions, as discussed above.

# Section I – Qualifications of Certifying Institution

[29 CFR 2520.103-8](https://www.gpo.gov/fdsys/pkg/CFR-2009-title29-vol9/pdf/CFR-2009-title29-vol9-sec2520-103-8.pdf) requires that the investment information subject to the limited scope exemption be prepared and certified by a bank or similar institution or by an insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency. Broker dealers and investment companies are not qualified institutions; however, some of those institutions may have established separate trust companies that could meet the requirements to be a qualified institution. The DOL issued an [Information Letter](https://www.dol.gov/agencies/ebsa/temporary-postings/information-page) in May 2002 that auditors may find useful in determining whether the institution certifying investment information is qualified to do so. Indicate below the type of institution certifying the investment information:

      Bank

      Trust Company

      Insurance Company

      Other       (Complete dialogue box below)

      Agent qualified to certify on behalf of a qualified institution (Complete dialogue box below)

Document below the auditor’s evaluation of whether the institution is qualified to certify the investment information for the purpose of limiting the scope of the audit. If the institution is an agency certifying on behalf of a qualified institution, document (or provide audit documentation or audit program references where procedures are documented) the procedures performed to determine that an agent certifying on behalf of a qualified institution has the authority to do so (for example, obtaining and reading the agency agreement).

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Is the certification issued by a qualified institution?

      Yes (Skip to Section II, *Certification Signed by Authorized Representative*)

      No **STOP – We cannot rely on the certification to reduce the scope of testing.**

**Section II – Certification Signed by Authorized Representative**

[29 CFR 2520.103-5](http://www.gpo.gov/fdsys/pkg/CFR-2009-title29-vol9/pdf/CFR-2009-title29-vol9-sec2520-103-5.pdf) requires that the certification be in writing and signed by a person authorized to represent the qualified institution.

Is the certification signed, manually or electronically, by a person authorized to represent the qualified institution?

      Yes (Skip to Section III, *Plan Covered by the Certification*)

      No **STOP – We cannot rely on the certification to reduce the scope of testing.**

**Section III – Plan Covered by the Certification**

The limited scope certification should be specific to the plan subject to audit.

Does the certification name the plan being audited?

      Yes

      No **(Complete the dialogue box below, or STOP – We cannot rely on the certification to reduce the scope of testing).**

If the certification does not name the plan being audited, document below the procedures performed by the auditor (or provide audit documentation or audit program references where procedures are documented) to determine that the certification applies to the plan under audit (for example, describe how the certification was received and what accompanied it).

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# Section IV – Completeness and Accuracy of Investment Information

The limited scope exemption is available only if the qualified certifying institution certifies both the accuracy and completeness of the investment information submitted. Certifications that address only accuracy or completeness, but not both, do not comply with the DOL’s regulation [29 CFR 2520.103-5](http://www.gpo.gov/fdsys/pkg/CFR-2009-title29-vol9/pdf/CFR-2009-title29-vol9-sec2520-103-5.pdf) and, therefore, are not adequate to allow the plan administrator to limit the scope of the audit.

Does the qualified institution certify both the accuracy and completeness of the investment information submitted?

      Yes (Skip to Section V, *Information Certified by Qualified Institution*)

      No **STOP – We cannot rely on the certification to reduce the scope of testing.**

**Section V – Information Not Certified by Qualified Institution**

As noted above, the limited scope exemption applies only to the investments and related investment information prepared and certified by the qualified institution; it does not apply to any investments or investment income information held by the certifying institution that are not specifically covered by the certification.

Document below all investments that are *not* covered by the certification, and provide references to audit documentation where those investments are tested.

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| Investment Description | Audit Documentation Reference |
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# Section VI – Qualifying Language

[29 CFR 2520.103-5](http://www.gpo.gov/fdsys/pkg/CFR-2009-title29-vol9/pdf/CFR-2009-title29-vol9-sec2520-103-5.pdf)provides the following sample certification language for the certifying institution:

The XYZ Bank (Insurance Carrier) hereby certifies that the foregoing statement furnished pursuant to 29 CFR 2520.103–5(c) is complete and accurate.

Some certifications may include qualifying language or the related reporting package may include language that may call into question whether the certification meets the requirements of the regulation.

If the certification includes language that is not included in the standard language provided in the regulation, or the related reporting package includes language that calls into question whether the certification meets the requirements of the regulation, document below the auditor’s evaluation of and conclusions about whether the certification is still acceptable for purposes of limiting the scope of audit work under ERISA Section 103(a)(3)(c). Document the audit procedures performed (or provide audit documentation or audit program references where procedures are documented) and include supporting documentation.

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# Section VII – Certified Information That Is Incomplete, Inaccurate, or Otherwise Unsatisfactory

The AICPA Audit and Accounting Guide, *Employee Benefit Plans,* states that although the auditor is not required to audit certain investment information when the limited scope audit exemption is applicable, if the auditor becomes aware that the certified information is incomplete, inaccurate, or otherwise unsatisfactory (for example, he or she becomes aware that adequate year-end valuation procedures have not been performed and, therefore, the financial statements may not be prepared in accordance with GAAP), further inquiry may be necessary, which might result in additional testing or modification to the auditor’s report.

In situations where the auditor becomes aware that the certified information is incomplete, inaccurate, or otherwise unsatisfactory, document below the considerations made and procedures performed (or provide audit documentation or audit program references where procedures are documented) to address the unsatisfactory certified information (such as obtaining an amended certification that includes appropriate year-end values or excludes improperly valued investments from the certification, or performing full-scope audit procedures when necessary).

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# Section VIII – Conclusion

Has the auditor determined that the certification meets the requirements of [CFR 2520.103-8](http://www.gpo.gov/fdsys/pkg/CFR-2009-title29-vol9/pdf/CFR-2009-title29-vol9-sec2520-103-8.pdf)?

      Yes

      No

Include any additional comments:

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Prepared by:       Date:

Reviewed by:       Date: