

AICPA COMPETENCY FRAMEWORK

EMPLOYEE BENEFIT PLAN AUDITING



ABOUT THE AICPA COMPETENCY FRAMEWORK: EMPLOYEE BENEFIT PLAN AUDITING

CPAs are expected to maintain a level of competence to meet the profession’s technical and ethical standards and provide valuable services to the public, employers and clients. Competence represents the attainment and maintenance of a level of understanding and knowledge that enables CPAs to render services with facility and acumen. The AICPA Competency Framework: Employee Benefit Plan Auditing is designed to help CPAs understand the knowledge and skills necessary to perform high-quality employee benefit plan audit engagements. The framework is underpinned by the need for objectivity, integrity and ethical behavior and includes a commitment to continuously acquire new skills and knowledge.

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AICPA COMPETENCY FRAMEWORK: EMPLOYEE BENEFIT PLAN AUDITING FRAMEWORK OUTLINE

The following outline represents technical competencies necessary for performing high-quality employee benefit plan audit engagements. The technical competencies are organized into five core skill sets.

CLIENT ACCEPTANCE	The determination to accept or continue an engagement
ENGAGEMENT PLANNING	The planning of the engagement based on client needs and engagement objectives and scope
ENGAGEMENT ANALYSIS OR TESTING	The analyses and/or tests performed to meet engagement objectives
CONCLUDING THE ENGAGEMENT	The satisfaction of engagement deliverables including concluding, recommending, and reporting
GUIDING PRINCIPLES	The adherence to governing requirements, applicable standards, or guiding principles within the engagement

The AICPA Competency Framework: Employee Benefit Plan Auditing identifies specific skills within each core skill set. Skills are further defined as foundational, intermediate, advanced, and expert.

CLIENT ACCEPTANCE — CLIENT ACCEPTANCE OR CONTINUATION

The consideration of whether to accept or continue a client engagement, in accordance with firm policies and procedures and applicable independence requirements

FOUNDATIONAL

- Aware of firm policies and procedures related to acceptance and continuance of client relationships and specific engagements and aware there can be client and engagement factors that make engagements more risky to accept
- Aware of and follows applicable independence and ethical requirements including any engagement specific independence requirements (e.g., DOL auditor independence rule, SEC independence rules for Form 11-K employee benefit plan audits, etc.) including documentation thereof
- Aware of the firm's client base and engagements and relationships between other clients and engagements that affect the current engagement and understands factors that give rise to conflicts of interest

INTERMEDIATE

- Understands firm policies and procedures related to the acceptance and continuance of client relationships and specific engagements and recognizes risk factors that may pose additional engagement risk for the firm
- Understands applicable independence and other ethical requirements and applies them to the engagement including any engagement specific independence requirements (e.g., DOL auditor independence rule, SEC independence rules for Form 11-K employee benefit plan audits, etc.) including documentation thereof
- Understands how current client may affect other clients or engagements of the firm and understands the nature and types of conflicts that may arise based on the nature of the engagement, the client, or client industry

ADVANCED

- Evaluates the criteria for deciding whether to accept or continue a client relationship and the specific engagement, in accordance with firm policies and procedures
- Evaluates unique applicable independence and other ethical requirements associated with the engagement and recommends procedures to comply including any engagement specific independence requirements (e.g., DOL auditor independence rule, SEC independence rules for Form 11-K employee benefit plan audits, etc.) including documentation thereof
- Evaluates potential conflicts of interest for engagement and other engagements of the firm and proposes engagement scope and/or procedures to address
- Prepares engagement proposals in accordance with applicable governing requirements, standards, or guiding principles

EXPERT

- Evaluates and concludes on the decision to accept or continue a client relationship and the specific engagement, in accordance with firm policies and procedures
- Determines unique applicable independence and other ethical requirements associated with the engagement are addressed including any engagement specific independence requirements (e.g., DOL auditor independence rule, SEC independence rules for Form 11-K employee benefit plan audits, etc.) including documentation thereof
- Defines the scope of engagements that will minimize or, when required, avoid conflicts of interest and establish rules of engagement to manage conflicts of interest in complex relationship structures
- Evaluates and approves engagement proposals

ENGAGEMENT PLANNING — CLIENT ENVIRONMENT

The understanding and evaluation of the domestic and, if applicable, international environment of the client (e.g., legal, regulatory, economic/market, political, etc.)

FOUNDATIONAL

- Demonstrates knowledge of the domestic and, if applicable, international environment of the client

INTERMEDIATE

- Understands environmental similarities and differences between the client and other entities in the industry

ADVANCED

- Evaluates how the client's domestic and, if applicable, international environment affects the client and the engagement

EXPERT

- Determines how to respond to unmitigated concerns about the effects of the domestic and applicable international environments on the client or engagement

ENGAGEMENT PLANNING — CLIENT INTERNAL ENVIRONMENT

The understanding and evaluation of the client's internal environment, including when applicable, the client's system of internal control

FOUNDATIONAL

- Recognizes common areas of complexity for the client, including complex transactions and applicable governing requirements
- Aware of key parties involved with the operation and administration of the employee benefit plan, including key parties at service organizations, and their roles and responsibilities
- Demonstrates knowledge of the nature and structure of different employee benefit plans and plan types, and plan documents, and related trust agreements, service agreements, and insurance contracts
- Aware of the key parties involved in the employee benefit plan financial reporting process, including those who are charged with plan governance and oversee the financial reporting process and the independent audit

INTERMEDIATE

- Understands common areas of complexity for the client, including complex transactions and applies relevant governing requirements
- Identifies key parties involved with the operation and administration of the employee benefit plan, including key parties at service organizations, and understands their roles and responsibilities
- Understands similarities and differences between the employee benefit plan types and plan provisions and amendments, and understands related trust agreements, service agreements, and insurance contracts
- Identifies the key parties involved in the employee benefit plan financial reporting process, including those who are charged with plan governance and oversee the financial reporting process and the independent audit, and understands their respective responsibilities

ADVANCED

- Analyzes client's complex transactions and evaluates appropriate and best application of applicable governing requirements
- Evaluates key parties involved with the operation and administration of the employee benefit plan, including key parties at service organizations, and their roles and responsibilities
- Applies knowledge of the employee benefit plan type, plan provisions and amendments, and related trust agreements, service agreements, and insurance contracts to the evaluation of the engagement
- Evaluates responsibilities of the key parties involved in the employee benefit plan financial reporting process, including those who are charged with plan governance and oversee the financial reporting process and the independent audit

EXPERT

- As permitted, develops solutions and advises client on how to execute complex transactions considering applicable governing requirements and which transactions the client undertakes to best address client needs and engagement objectives
- Evaluates complex issues related to responsibilities of the key parties involved with the operation and administration of the employee benefit plan, including key parties at service organizations
- Approves engagement approach for complex employee benefit plan and plan provisions and amendments, and related trust agreements, service agreements, and insurance contracts
- Evaluates complex issues related to responsibilities of the key parties involved in the employee benefit plan financial reporting process, including those who are charged with plan governance and oversee the financial reporting process and the independent audit

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ENGAGEMENT PLANNING — CLIENT INTERNAL ENVIRONMENT *(continued)*

The understanding and evaluation of the client’s internal environment, including when applicable, the client’s system of internal control

FOUNDATIONAL

- Aware of the types of investments held by the employee benefit plan, the valuation methodologies used, and the parties safeguarding each type of investment and executing related investment transactions
- Aware of the nature of services provided by a service organization to an employee benefit plan (safeguarding, management and processing of investments, payroll processing, processing and maintenance of participant accounts/ data) and the related control environment
- Recognizes the employee benefit plan’s systems of internal control, including internal control activities and any controls residing at service organizations (e.g., controls over safeguarding, management and processing of investments, payroll processing, processing and maintenance of participant accounts/ data) and related user entity controls

INTERMEDIATE

- Identifies the types of investments held by the employee benefit plan, the valuation methodologies used, and the parties safeguarding each type of investment and executing related investment transactions
- Understands the nature of services provided by a service organization to an employee benefit plan (safeguarding, management and processing of investments, payroll processing, processing and maintenance of participant accounts/ data) and the related control environment
- Understands and tests the employee benefit plan’s system of internal control, including internal control activities and controls residing at service organizations (e.g., controls over safeguarding, management and processing of investments, payroll processing, processing and maintenance of participant accounts/ data) and related user entity controls, as appropriate

ADVANCED

- Evaluates the types of investments held by the employee benefit plan, the valuation methodologies used, and the parties safeguarding each type of investment and executing related investment transactions
- Evaluates the nature of services provided by a service organization to an employee benefit plan (safeguarding, management and processing of investments, payroll processing, processing and maintenance of participant accounts/ data) and the related control environment
- Compares the employee benefit plan’s system of internal control, including internal control activities and controls residing at service organizations (e.g., controls over safeguarding, management and processing of investments, payroll processing, processing and maintenance of participant accounts/ data) and related user entity controls, against internal control frameworks (e.g., COSO) and compares to systems of internal control from other employee benefit plans to identify unique engagement requirements

EXPERT

- Evaluates complex issues related to the valuation of employee benefit plan investments and parties safeguarding each type of investment and executing related investment transactions and approves engagement approach
- Evaluates complex issues related to services provided by a service organization to an employee benefit plan (safeguarding, management and processing of investments, payroll processing, processing and maintenance of participant accounts/ data) and the related control environment
- Reviews gaps in the employee benefit plan’s system of internal control, including internal control activities and controls residing at service organizations (e.g., controls over safeguarding, management and processing of investments, payroll processing, processing and maintenance of participant accounts/ data) and related user entity controls, evaluates impact of gaps on engagement, and when appropriate, recommends modifications

ENGAGEMENT PLANNING — CLIENT EVENTS

The understanding and evaluation of the client's recent or planned events and strategies that affect the engagement

FOUNDATIONAL

- Recognizes client's recent or planned events and strategies that affect the engagement
- Aware that certain situations (e.g., changes to plan documents, plan mergers, plan freezes or terminations, including partial terminations, and changes in services organizations) may complicate plan reporting and communicates any changes identified to those managing the engagement

INTERMEDIATE

- Understands client's recent or planned events and strategies that affect the engagement
- Understands situations that may complicate plan reporting and the audit process, which may include changes to plan documents, plan mergers, plan freezes or terminations, including partial terminations, and changes in service organizations

ADVANCED

- Analyzes and evaluates how client's recent or planned events and strategies affect the client and the engagement
- Analyzes and evaluates employee benefit plan changes that complicate the plan reporting and audit process, which may include changes to plan documents, plan mergers, plan freezes or terminations, including partial terminations, and changes in service organizations

EXPERT

- When appropriate or permitted, evaluates and provides options to clients so they can modify planned events and strategies to achieve client objectives
- Approves audit response to employee benefit plan changes that complicate the plan reporting and audit process, which may include changes to plan documents, plan mergers, plan freezes or terminations, including partial terminations, and changes in service organizations

ENGAGEMENT PLANNING — CLIENT RISK

The identification and evaluation of elements of risk faced by the client and applicable to the engagement (e.g., economic, market, accounting, valuation, financial reporting, compliance, etc.)

FOUNDATIONAL

- Recognizes risk management concepts and is aware of elements of risks faced by the client and applicable to the engagement

INTERMEDIATE

- Understands the risk management culture and/or philosophy of the client and the elements of risks faced by the client and applicable to the engagement

ADVANCED

- Identifies the implications of the client's level of risk, risk tolerance, and approach to managing risk and evaluates and prioritizes the elements of risks faced by the client and applicable to the engagement

EXPERT

- Evaluates and identifies changes that would improve the client's risk management processes; identifies methods to mitigate risk; and makes recommendations when appropriate for the engagement

ENGAGEMENT PLANNING — ENGAGEMENT OBJECTIVES AND SCOPE

The consideration of engagement objectives and scope including limitations, type of service, timing, applicable due dates, deliverables, filing or reporting requirements including intended end users, and fees

FOUNDATIONAL

- Aware of standards, framework, or guidance to identify engagement scope parameters
- Aware of the types of services and how the services differ (e.g., subject matters addressed, limitations)
- Aware of the risks specifically affecting engagement (e.g., material non-compliance risk, fraud risk, misstatement)
- Recognizes basic client filing reporting requirements (e.g., financial, compliance, law or regulation, tax) including intended end users of reports
- Understands that there are factors that could trigger initial auditing, filing, or reporting requirements (e.g., DOL or SEC)

INTERMEDIATE

- Applies understanding of standards, framework, or guidance to identify engagement scope parameters
- Identifies unique scope, deliverable, or independence requirements based on type of engagement and identifies effort that is out of scope
- Defines risks specifically affecting engagement (e.g., material non-compliance risk, fraud risk, misstatement)
- Understands basic client filing or reporting requirements (e.g., financial, compliance, law or regulation, tax) including intended end users of reports
- Understands that there are factors that could trigger additional auditing, filing, or reporting requirements (e.g., DOL or SEC)

ADVANCED

- Analyzes standards, frameworks or guidance to identify engagement scope parameters
- Evaluates and resolves any issues associated with unique scope, deliverable, or independence requirements associated with the engagement
- Evaluates determination of risks and identifies scope and approach effect (e.g., risk mitigation procedures)
- Analyzes and evaluates client's filing or reporting requirements (e.g., financial, compliance, law or regulation, tax) including intended end users of reports and additional filing or reporting requirements triggered by the presence of particular factors
- Identifies additional auditing, filing, or reporting requirements and impact on engagement planning (e.g., DOL or SEC)

EXPERT

- Evaluates standards, framework, or guidance to identify engagement scope parameters and establishes and/or approves engagement scope parameters
- Modifies execution of engagement as necessary
- Evaluates and concludes on sufficiency of risk mitigation given risk profile and requirements
- Analyzes and evaluates client's complex filing or reporting requirements (e.g., financial, compliance, law or regulation, tax) including intended end users of reports and additional risks triggered by the presence (or absence) of particular factors
- Evaluates impact of additional auditing, filing, or reporting requirements (e.g., DOL or SEC)

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ENGAGEMENT PLANNING — ENGAGEMENT OBJECTIVES AND SCOPE *(continued)*

The consideration of engagement objectives and scope including limitations, type of service, timing, applicable due dates, deliverables, filing or reporting requirements including intended end users, and fees

FOUNDATIONAL

- Aware of ERISA and DOL special reporting and audit requirements for employee benefit plans, including required supplemental schedules, requirements to elect the ERISA limited scope audit exemption, and Form 5500 (and SEC reporting requirements for Form 11-K audits)
- Understands the definition of parties in interest and the types of transactions that are generally prohibited under ERISA between a plan and parties in interest

INTERMEDIATE

- Understands ERISA and DOL special reporting and audit requirements for employee benefit plans including required supplemental schedules, requirements to elect the ERISA limited scope audit exemption, and Form 5500 (and SEC reporting requirements for Form 11-K audits)
- Applies understanding of parties in interest and prohibited transaction rules under ERISA to plan the audit engagement

ADVANCED

- Plans the engagement to meet ERISA and DOL special reporting and audit requirements for employee benefit plans, including required supplemental schedules, requirements to elect the ERISA limited scope audit exemption, and Form 5500 (and SEC reporting requirements for Form 11-K audits)
- Evaluates audit plan to address parties in interest and prohibited transaction rules under ERISA

EXPERT

- Ensures that the engagement is executed to meet ERISA and DOL special reporting and audit requirements for employee benefit plans, including required supplemental schedules, requirements to elect the ERISA limited scope audit exemption, and Form 5500 (and SEC reporting requirements for Form 11-K audits)
- Approves audit plan to address parties in interest and prohibited transaction rules under ERISA

ENGAGEMENT PLANNING — ROLES AND RESPONSIBILITIES

The definition of roles and responsibilities of the firm, client, third parties and/or specialists with respect to the engagement

FOUNDATIONAL

- Aware of individuals/entities that affect the engagement (firm, client, third parties, specialists, etc.)
- Recognizes that the work of others is being utilized in the engagement

INTERMEDIATE

- Understands responsibilities of firm, third parties, and/or specialists that affect the engagement
- Identifies whether, in which areas, and to what extent to use the work of others with respect to the engagement
- Understands when and what to communicate with client, those charged with governance, third parties, and/or specialists when planning the engagement

ADVANCED

- Evaluates how firm, client, third parties and specialists execute defined responsibilities and the affect of execution issues on the engagement
- Evaluates in which areas, and to what extent to use the work of others with respect to the engagement
- Creates and manages communications with client, those charged with governance, third parties, and/or specialists when planning the engagement

EXPERT

- Establishes firm, client, third parties, and/or specialist responsibilities authorizing specialist/expert support as needed
- Approves whether, in which areas, and to what extent to use the work of others with respect to the engagement
- Approves communications with client, those charged with governance, third parties, and/or specialists when planning the engagement

ENGAGEMENT PLANNING — ENGAGEMENT RISK

The assessment of engagement risks and planning of necessary responses

FOUNDATIONAL

- Recognizes engagement risks and the implications of any noted compliance issues
- Recognizes limitations of own risk knowledge and acts within those limitations when interacting with client
- Recognizes the challenges and/or risks in evaluating third-party information or processes (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, etc.)
- Recognizes the risk of material misstatement, whether due to fraud or error

INTERMEDIATE

- Identifies engagement risks, understands the relationship between risks, and evaluates the affect of compliance issues
- Identifies specific factors or aspects of engagement risks requiring additional scrutiny because of the nature or scope of the engagement
- Understands the challenges and/or risks associated with third-party information or processes (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, etc.)
- Identifies the risk of material misstatement, whether due to fraud or error

ADVANCED

- Assesses and categorizes engagement risks including unresolved compliance issues
- Recommends and develops strategies to address engagement risk including specific factors or aspects of engagement risks requiring additional scrutiny
- Recommends strategies and procedures to address challenges and/or risks with third-party information or processes (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, etc.)
- Assesses the risk of material misstatement, whether due to fraud or error

EXPERT

- Approves strategies to mitigate engagement risks, including unresolved compliance issues
- Approves strategies to address and/or mitigate engagement risks including specific factors or aspects of engagement risks requiring additional scrutiny
- Approves strategies and procedures to address challenges and/or risks with third-party information or processes (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, etc.)
- Approves strategies to address the risk of material misstatement, whether due to fraud or error

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ENGAGEMENT PLANNING — ENGAGEMENT RISK *(continued)*

The assessment of engagement risks and planning of necessary responses

FOUNDATIONAL

- Aware of fraud risk factors and how fraud may occur in employee benefit plans, and recognizes incentives/pressures to perpetrate fraud; opportunities to carry out the fraud; and attitudes/rationalizations to justify the fraudulent action when identifying and assessing the risk of material misstatement, whether due to fraud or error
- Aware of current economic, regulatory, and industry developments considered in preparing the employee benefit plan audit plan

INTERMEDIATE

- Identifies fraud risk factors in employee benefit plans and recognizes incentives/pressures to perpetrate fraud; opportunities to carry out the fraud; and attitudes/rationalizations to justify the fraudulent action
- Identifies current economic, regulatory, and industry developments for consideration in the employee benefit plan audit plan

ADVANCED

- Assesses fraud risks in employee benefit plans by recognizing incentives/pressures to perpetrate fraud; opportunities to carry out the fraud; and attitudes/rationalizations to justify the fraudulent action when identifying and assessing the risk of material misstatement whether due to fraud or error
- Evaluates current economic, regulatory, and industry developments and modifies the employee benefit plan audit plan accordingly

EXPERT

- Approves strategies to address fraud risk in employee benefit plans by recognizing incentives/pressures to perpetrate fraud; opportunities to carry out the fraud; and attitudes/rationalizations to justify the fraudulent action when identifying and assessing the risk of material misstatement whether due to fraud or error
- Approves the employee benefit plan audit plan considering current economic, regulatory, and industry developments

ENGAGEMENT ANALYSIS OR TESTING — INFORMATION IDENTIFICATION AND COLLECTION

The identification and collection of information required for the engagement

FOUNDATIONAL

- Understands information necessary for the engagement and their sources including how engagement scope or approach affects information required
- Understands the type of information reports provided by third parties/specialists (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, etc.)
- Understands how to obtain or request information and appropriate processes for obtaining that information
- Follows procedures to obtain information in appropriate formats
- Understands aspects of information or the sources of information that increase or jeopardize its reliability, accuracy, or completeness
- Understands data integrity concepts that relate to maintaining and assuring the consistency of data over its life-cycle

INTERMEDIATE

- Understands how to identify the most reliable sources of information when presented with various alternatives
- Understands when and how to obtain required information from third parties/specialists (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, etc.)
- Identifies how to obtain information that will meet more than one purpose within the engagement
- Applies understanding of systems and operations to validate information requests
- Considers and weighs information and sources of information to determine reliability, accuracy, usability, and completeness
- Tests validity of information using standard data integrity procedures

ADVANCED

- Evaluates adequacy and appropriateness of engagement information in achieving engagement objectives
- Evaluates options available when information cannot be obtained from third parties/specialists
- Identifies opportunities to obtain required information in new ways to facilitate advanced analysis or testing approaches
- Recommends methods or sources to ensure information received is reliable and useable
- Evaluates multiple sources of information, identifies conflicts, and determines information that is the most reliable, accurate, credible, usable, and complete for purposes of the engagement
- Identifies opportunities to efficiently validate information through system testing (e.g., baseline approach) and designs processes for information validation

EXPERT

- Designs firm's policies, tools, and processes to improve information identification
- Approves approach when information cannot be obtained from third parties/specialists
- Design new processes to facilitate automated receipt.
- Establishes processes for obtaining information that will result in the most reliable data
- Establishes best practices for evaluating the reliability, accuracy, credibility, usability, and completeness of information as it pertains to various engagements
- Evaluates and approves processes for information validation

ENGAGEMENT ANALYSIS OR TESTING — INTERNAL CONTROL EVALUATION

The understanding and testing of the client's system of internal control

FOUNDATIONAL

- Understands the concept and principles of internal control
- Understands differences between the evaluation or testing of design and implementation
- Understands different approaches to testing operating effectiveness
- Understands the definition of control exceptions, criteria for evaluating, and impact of exceptions on ability to conclude
- Understands the purpose of a SOC 1 report in testing of a plan's controls and in assessing service organization controls that are relevant to the plan's financial statements

INTERMEDIATE

- Uses appropriate tools and techniques to develop an initial understanding of controls
- Evaluates design and implementation of controls
- Evaluates operating effectiveness of controls identified for testing, including any compliance testing
- Identifies control exceptions and applies criteria for evaluating
- Understands how to evaluate a SOC 1 report to assess service organization and related user controls that are relevant to the employee benefit plan's financial statements and evaluates SOC 1 reports accordingly

ADVANCED

- Identifies which controls to evaluate to achieve engagement objectives and defines strategies to use for evaluation
- Evaluates sufficiency of testing of the design and implementation of controls, when appropriate
- Evaluates sufficiency of testing of operating effectiveness, identifies opportunities to improve controls, and creates recommendations when appropriate
- Evaluates results and concludes on adequacy of controls tested
- Identifies inappropriate use of SOC 1 reports to support the assessment of a service organization and related user controls that are relevant to the employee benefit plan's financial statements

EXPERT

- Evaluates sufficiency and approves strategies related to internal control evaluation
- Designs new tests of design and implementation for new controls, when appropriate
- Recommends improvements to client's internal controls, when appropriate
- Determines the appropriateness of the conclusion of controls tested
- Validates the SOC 1 report supports the assessment of a service organization and related user controls that are relevant to the employee benefit plan's financial statements

ENGAGEMENT ANALYSIS OR TESTING — SAMPLING

The use of sampling as a method for testing and analyzing information when appropriate

FOUNDATIONAL

- Recognizes sampling concepts
- Performs basic sampling procedures to support sampling

INTERMEDIATE

- Applies sampling concepts to identify when and how to perform sampling and documents sampling strategy
- Executes sampling procedures, documents results, and extracts sampling findings to determine additional steps

ADVANCED

- Evaluates sampling strategy and recommends changes, as needed, and designs templates and strategies for sampling in different situations
- Evaluates and interprets sampling results and findings

EXPERT

- Approves the templates and strategies for sampling in different situations
- Develops guidance on evaluating sampling results and findings

ENGAGEMENT ANALYSIS OR TESTING — ANALYSIS AND/OR TESTING STRATEGY

The determination of strategy for delivering on engagement objectives (e.g., analysis, testing of subject matter, tests of controls, etc.)

FOUNDATIONAL

- Understands characteristics of information being analyzed and any correlation such as related trends, expectations, benchmarks, assumptions or relationships between the information applicable to the engagement
- Understands purpose, scope, and use of third-party reports or information (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, broker statements, etc.)
- Aware of possible types of hard-to-value investments in an employee benefit plan audit, valuation methodologies, the challenges in auditing such investments, and potential impact to scope of the audit
- Understands purpose and limitations of analytical procedures, control testing and substantive testing
- Understands linkage between levels and types of risk and the types and amounts of testing

INTERMEDIATE

- Applies knowledge of trends, expectations, benchmarks, assumptions and relationships between information
- Identifies the effect of third-party reports or information on analysis and/or testing (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, etc.)
- Understands valuation methodologies and how to read and understand an investment valuation report for hard-to-value investments in an employee benefit plan audit
- Applies understanding of relevant governing requirements, analytical procedures, control testing, and substantive testing to develop a plan or testing strategy
- Applies understanding of engagement risks, risk factors, and current developments to identify high-risk testing areas

ADVANCED

- Analyzes appropriate trends, expectations, benchmarks, assumptions and relationships between information
- Determines when a third party report or information is necessary to ensure the appropriate level of expertise is applied to the analysis and evaluates use of third-party reports or information (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, etc.)
- Evaluates valuation methodologies used and investment valuation report for hard-to-value investments in an employee benefit plan audit
- Evaluates and approves plan or testing strategy for analytical procedures, control testing, and substantive testing
- Evaluates sufficiency of testing in high-risk areas

EXPERT

- Evaluates the effects of trends, expectations, benchmarks, assumptions and relationship between information
- Approves how third-party reports or information (e.g., SOC 1 reports, valuation reports, actuarial reports, appraisal reports, etc.) are being used
- Identifies inappropriate use of valuation methodologies and evaluates complex issues related to the investment valuation report for hard-to-value investments in an employee benefit plan audit
- Approves plan or testing strategy for analytical procedures, control testing, and substantive testing pertaining to high-risk, complex, or unusual subject matters
- Approves plan or testing strategy for high-risk areas

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ENGAGEMENT ANALYSIS OR TESTING — ANALYSIS AND/OR TESTING STRATEGY *(continued)*

The determination of strategy for delivering on engagement objectives (e.g., analysis, testing of subject matter, tests of controls, etc.)

FOUNDATIONAL

- Understands the basic contents of an actuarial report and how the report applies to the financial reporting of an employee benefit plan and planned audit procedures
- Understands ESOPs that hold non-publicly traded securities are required to have an independent appraised value of the securities annually
- Recognizes that specific testing strategies are required to test employee and employer contributions received and receivable, benefit payments, plan investments and investment income (in full scope and limited scope audits), participant data, participant allocations and account activity, liabilities and plan obligations, participant loans (i.e. notes receivable from participants), and administrative expenses
- Recognizes specific testing strategies related to claims (e.g., medical, dental, prescription) including IBNR claims (health and welfare plans) and/or payroll audits (multiemployer plan audits)

INTERMEDIATE

- Understands how to read and understand an actuarial report for defined benefit and health and welfare plans and understands the accounting requirements considered in recognizing and measuring actuarial present value of accumulated plan benefits
- Understands how to read and understand an appraisal in an ESOP audit
- Establishes strategies to test employee and employer contributions received and receivable, benefit payments, plan investments and investment income (in full scope and limited scope audits), participant data, participant allocations and account activity, liabilities and plan obligations, participant loans (i.e., notes receivable from participants), and administrative expenses
- Establishes strategies to test claims (e.g., medical, dental, prescription) including IBNR claims (health and welfare plans) and/or payroll audits (multiemployer plan audits)

ADVANCED

- Evaluates actuarial reports for defined benefit and health and welfare plans by understanding the data, assumptions, and methodology directly affecting the actuarial measurement
- Evaluates appraisals in an ESOP audit
- Evaluates and approves strategies to test employee and employer contributions received and receivable, benefit payments, plan investments and investment income (in full scope and limited scope audits), participant data, participant allocations and account activity, liabilities and plan obligations, participant loans (i.e., notes receivable from participants), and administrative expenses
- Evaluates and approves strategies to test claims (e.g., medical, dental, prescription) including IBNR claims (health and welfare plans) and/or payroll audits (multiemployer plan audits)

EXPERT

- Identifies inappropriate use of data, assumptions and methodology; evaluates complex issues related to actuarial reports for defined benefit and health and welfare plans; and obtains an understanding of the changes in actuarial standards and issues impacting obligations and funding from the actuary
- Identifies inappropriate use of and complex issues related to appraisals in an ESOP audit

ENGAGEMENT ANALYSIS OR TESTING — ANALYSIS AND/OR TESTING PROCEDURES

The performance of procedures necessary to meet engagement objectives (e.g., analysis, testing of subject matter, tests of controls, etc.)

FOUNDATIONAL

- Understands testing approaches
- Identifies and validates relevant data from an undefined set of inputs
- Interprets and analyzes large amounts of complex information
- Recognizes that factors exist that can complicate analysis or testing in high risk areas
- Recognizes analytical concepts, tools, and methodologies

INTERMEDIATE

- Analyzes results of testing or procedures to determine if it confirms or disaffirms engagement expectations or objectives
- Analyzes and interprets data from an undefined set of inputs
- Evaluates sufficiency of analysis and conclusions
- Understands the specific factors that complicates analysis or testing in complex, high-risk areas and the strategies developed to address these factors
- Identifies opportunities to use analytical capabilities to achieve engagement objectives

ADVANCED

- Evaluates testing and recommends improvements / additional procedures
- Uses models to complete complex analysis
- Identifies gaps in process, information or methodology in areas of the engagement
- Designs or approves analysis or test procedures for complex, high-risk areas
- Develops, uses, and interprets the results of advanced analytics and adjusts engagement procedures accordingly

EXPERT

- Approves the recommendations and additional procedures related to significant areas of risk
- Develops new models to complete complex analysis
- Evaluates and approves complex research and analysis to support a transaction, event, or position
- Designs new approaches to analyzing or testing recurring and significant areas of risk
- Develops new strategies to incorporate advanced analytics

ENGAGEMENT ANALYSIS OR TESTING — EVIDENCE EVALUATION

Determines if information and evidence collected supports engagement objectives

FOUNDATIONAL

- Understands how data, evidence and/or supporting documentation and analysis thereof confirms or disaffirms engagement expectations or objectives
- Aware of third parties and/or specialists involved in an engagement

INTERMEDIATE

- Determines if underlying data or evidence and/or documentation supports the information being assessed
- Understands how to leverage the work of third parties and/or specialists, including limitations on use, and required documentation
- Understands and performs procedures on the work performed by others to determine its adequacy for purposes of the engagement

ADVANCED

- Identifies nuances and complexities within data, evidence, or supporting documentation that would warrant additional follow-up
- Evaluates the work and/or reports of third parties and/or specialists and documents appropriately
- Evaluates sufficiency of procedures performed on the work performed by others

EXPERT

- Evaluates how all data, evidence, or documentation collected supports conclusions or recommendations reached in the engagement
- Approves the use of work and/or reports of third parties and/or specialists and its documentation
- Approves procedures performed on the work performed by others

ENGAGEMENT ANALYSIS OR TESTING — RESULTS ANALYSIS

The assessment of results from analyses or tests performed

FOUNDATIONAL

- Understands the definition of deviations and the documentation required to support them
- Articulates how results of analysis and/or testing compare to expectations
- Understands the definition of findings and exceptions and the documentation required to support them
- Understands the criteria used to assess the significance of findings and exceptions

INTERMEDIATE

- Applies systematic process to determine deviations for all engagement procedures including deviations identified during analysis and testing
- Understands the nature of quality reviews, third-party reviews, and/or desk and on-site reviews and the potential impact of findings originating during the review process
- Understands how results of analysis and/or testing compare to expectations and affect analysis or testing conclusions
- Identifies and includes sufficient documentation to support conclusions regarding findings and exceptions
- Completes a quantitative and qualitative determination of a finding
- Understands the factors that determine the reliability of the work of others and supports the analysis and assessment of these factors

ADVANCED

- Evaluates identification of deviations and examines for inconsistency
- Considers the nature of quality reviews, third-party reviews, and/or desk and on-site reviews when finalizing engagement deliverables
- Evaluates and challenges results of analysis and/or testing pertaining to how they compare to expectations and how they affect analysis or testing conclusions
- Evaluates how results of engagement procedures affect other areas or considerations of the engagement
- Evaluates and challenges the quantitative and qualitative assessment of findings and their impact on conclusions
- Analyzes and assesses the reliability of the work of others and how it affects the overall engagement

EXPERT

- Evaluates impact at an aggregated level and determines need for additional procedures or communications, based upon engagement objective
- Prepares for and responds to quality reviews or reviews by third-parties, including, desk reviews and on-site reviews
- Approves conclusions on analysis and/or testing pertaining to how they compare to expectations and how they affect analysis or testing conclusions
- Challenges summarization and conclusions of results of engagement procedures
- Identifies how results of engagement procedures affect other areas of the engagement or the overall engagement conclusion
- Approves the outcome of the work others and the effect on the engagement

CONCLUDING THE ENGAGEMENT — CONCLUSION AND RECOMMENDATIONS

The assessment of results from engagement strategies and procedures in order to draw final conclusions and/or make recommendations

FOUNDATIONAL

INTERMEDIATE

ADVANCED

EXPERT

- Evaluates results of all engagement procedures and determines potential effect on engagement deliverables (e.g., conclusions, recommendations, communications, or reports)
- Synthesizes combined effect of all engagement procedures results to draw conclusions and approves final conclusions reached in each engagement based upon overall assessment of results of engagement procedures
- Approves final conclusions in engagements

CONCLUDING THE ENGAGEMENT — ENGAGEMENT DELIVERABLES

The preparation and delivery of engagement deliverables in accordance with applicable governing requirements (e.g., communications, plans, forms, reports)

FOUNDATIONAL

- Understands engagement results and deliverable requirements
- Understands the information reported in prescribed formats and on prescribed forms as applicable
- Reproduces templated and defined engagement deliverables (e.g., reports, opinions, forms, communications) including supplemental schedules and reports
- Understands that reports may be recalled and reissued
- Supports the preparation of ERISA and DOL special reporting and audit requirements for employee benefit plans, including required supplemental schedules, requirements to elect the ERISA limited scope audit exemption, and Form 5500 (and SEC reporting requirements for Form 11-k audits) using templated forms

INTERMEDIATE

- Prepares summary of engagement results and deliverables
- Prepares deliverables using the prescribed formats and on the prescribed forms as applicable
- Identifies and summarizes modifications to templated or defined deliverables
- Understands factors that would trigger recall and reissuance of reports and the required process
- Prepares engagement deliverables that comply with ERISA and DOL special reporting and audit requirements for employee benefit plans, including required supplemental schedules, requirements to elect the ERISA limited scope audit exemption, and Form 5500 (and SEC reporting requirements for Form 11-K audits)

ADVANCED

- Evaluates engagement results and deliverables in light of engagement objectives
- Develops engagement deliverables when no templated or defined deliverables exists
- Approves modifications to engagement deliverables and reviews those with the client ensuring conclusions reached are clearly communicated
- Determines whether recall and reissuance of reports is required under the circumstances
- Reviews and modifies engagement deliverables to comply with ERISA and DOL special reporting and audit requirements for employee benefit plans, including required supplemental schedules, requirements to elect the ERISA limited scope audit exemption, and Form 5500 (and SEC reporting requirements for Form 11-K audits)

EXPERT

- Communicates engagement results and provides deliverables to the client, including those charged with governance (as applicable) and makes recommendations (as applicable) based upon engagement findings.
- Proposes and constructs reports and deliverables for complex, high-risk engagements
- Approves conclusion that reports need to be recalled and reissues reports
- Approves engagement deliverables to comply with ERISA and DOL special reporting and audit requirements for employee benefit plans, including required supplemental schedules, requirements to elect the ERISA limited scope audit exemption, and Form 5500 (and SEC reporting requirements for Form 11-K audits)

GUIDING PRINCIPLES — GOVERNING REQUIREMENTS

The understanding and evaluation of applicable governing requirements including laws, regulations, standards, frameworks, and principles and criteria including changes and amendments of the same

FOUNDATIONAL

- Recognizes and recalls applicable governing requirements including laws, regulations, standards, frameworks, and principles and criteria; and related changes and amendments
- Recognizes the structure of the applicable governing requirements (e.g., laws, regulations, standards, etc.) and the bodies that issue them
- Understands the underlying principles of each set of governing requirements
- Aware of the authority levels associated with governing requirements relevant to the engagement
- Recognizes the application of GAAP (or an acceptable special reporting framework such as modified cash basis) in an employee benefit plan audit and related accounting issues and developments

INTERMEDIATE

- Interprets and applies applicable governing requirements including laws, regulations, standards, frameworks, and principles and criteria; and related changes and amendments
- Understands the factors that would trigger the applicability of other laws, regulations, standards, or frameworks beyond what would normally apply and applies this understanding to research questions
- Identifies when judgment and interpretation is necessary to determine how to apply governing requirements and determines how to apply to a specific set of facts and circumstances
- Understands and applies authority levels when interpreting or applying governing requirements to the engagement

ADVANCED

- Determines how applicable governing requirements including laws, regulations, standards, frameworks, principles and criteria and related changes and amendments apply to complex or unusual transactions or events
- Identifies the additional requirements triggered by the application of additional criteria (e.g., contract compliance) and alters approach to managing engagements accordingly
- Evaluates multiple governing requirements, appropriately weighs the evidence, and applies most appropriate requirement based upon the authority levels and jurisdictions of the governing requirements and the specific set of facts and circumstances present in the engagement
- Develops positions on or strategies for complex issues

EXPERT

- Recognizes inappropriate application of governing requirements, strategizes, and advises the client on how best to structure transactions or events to most accurately reflect the reality of the transaction or event
- Approves the identification of additional requirements
- Anticipates the impact of various governing requirements, professional standards, and guiding principles on engagements and prepares accordingly
- When permitted, recommends best position or approach on the basis of formulated positions or strategy
- Evaluates complex issues related to the application of GAAP (or an acceptable special reporting framework such as modified cash basis) in an employee benefit plan audit and related accounting issues and developments

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GUIDING PRINCIPLES — GOVERNING REQUIREMENTS *(continued)*

The understanding and evaluation of applicable governing requirements including laws, regulations, standards, frameworks, and principles and criteria including changes and amendments of the same

FOUNDATIONAL

- Recognizes the application of GAAS and related AICPA interpretative publications to employee benefit plans (and PCAOB standards for Form 11-K audits) in an employee benefit plan audit
- Aware that a plan's trust is qualified under the Internal Revenue Code as being exempt from federal taxes and transactions that might affect the plan's qualified status

INTERMEDIATE

- Understands the application of GAAP (or an acceptable special reporting framework such as modified cash basis) in an employee benefit plan audit and related accounting issues and developments
- Understands the application of GAAS and related AICPA interpretative publications to employee benefit plans (and PCAOB standards for Form 11-K audits) in an employee benefit plan audit
- Understands the general requirements for a plan to maintain a trust which is qualified under the Internal Revenue Code as being exempt from federal income taxes and whether transactions or events have occurred that might affect the employee benefit plan's qualified status

ADVANCED

- Evaluates the application of GAAP (or an acceptable special reporting framework such as modified cash basis) in an employee benefit plan audit and related accounting issues and developments
- Evaluates the application of GAAS and related AICPA interpretative publications to employee benefit plans (and PCAOB standards for Form 11-K audits) in an employee benefit plan audit
- Evaluates the plan compliance with the general requirements for a plan to maintain a trust which is qualified under the Internal Revenue Code as being exempt from federal income taxes and whether transactions or events have occurred that might affect the employee benefit plan's qualified status

EXPERT

- Evaluates complex issues related to the application of GAAS and related AICPA interpretative publications to employee benefit plans (and PCAOB standards for Form 11-K audits) in an employee benefit plan audit
- Analyzes effect and determines response to compliance issues related to the general requirements for a plan to maintain a trust which is qualified under the Internal Revenue Code as being exempt from federal income taxes and whether transactions or events have occurred that might affect the employee benefit plan's qualified status

GUIDING PRINCIPLES — ENGAGEMENT APPROACH/PLAN

Understanding the engagement approach/plan including relationships and dependencies between various aspects of the engagement and conducting the engagement according to the approach/plan

FOUNDATIONAL

- Aware of and follows the engagement approach, methodology, and/or plan
- Aware of workflow dependencies
- Understands that there are requirements for limiting the scope of the engagement from what is normally required based on applicable governing standards
- Recognizes how client transactions, events, accounts, or goals affect other aspects of the client and are applicable to the engagement

INTERMEDIATE

- Implements and oversees aspects of the engagement approach, methodology and/or plan
- Understands the flow of information, dependencies and the quantity of work requirements
- Identifies the requirements for limiting the scope of the engagement
- Understands relationships between client transactions, events, accounts, or goals and how they affect other aspects of the client and are applicable to the engagement

ADVANCED

- Establishes and communicates engagement approach, methodology, and/or plan
- Manages the flow of information and workflow dependencies across multiple complex engagements to facilitate timely completion; making recommendations as necessary to improve processes
- Determines the requirements for limiting the scope of the engagement have been satisfied
- Modifies engagement approach or client recommendations based upon understanding of other aspects of the client or other engagement areas and assessment of the effect of procedures, and evaluates overall engagement conditions that have the potential to negatively affect engagement results

EXPERT

- Evaluates appropriateness of engagement approach, methodology, and/or plan
- Recommends and approves changes to multi-engagement workflows to manage the operational risk of each engagement
- Evaluates execution of engagement in accordance with established approach, methodology, and/or plan
- Anticipates how client transactions, events, accounts, or goals affect engagement results and plans engagement accordingly to be effective and efficient

GUIDING PRINCIPLES — ENGAGEMENT DOCUMENTATION

The process of documenting the engagement such that it provides sufficient evidence of work performed, supports conclusions reached, and adheres to applicable governing requirements

FOUNDATIONAL

- Understands and follows documentation procedures and protocols

INTERMEDIATE

- Documents engagement in accordance with governing requirements and engagement expectations and understands documentation that should be included or excluded to comply with governing requirements and protect firm from risk or penalty
- Understands the subject matter language such that documentation and communications uses the appropriate terminology to prevent misunderstanding or misinterpretation

ADVANCED

- Evaluates documentation to determine that documentation is properly included or excluded to comply with governing requirements or best practices and to protect from risk or penalty; and reviews, assesses, and makes recommendations to improve engagement documentation
- Evaluates documentation and communications to determine that the appropriate terminology is used

EXPERT

- Evaluates whether engagements are documented in accordance with governing requirements or best practices and engagement standards
- Approves documentation and communications to determine that appropriate terminology is used

QUESTIONS OR COMMENTS?

Please email competencymodel@aicpa.org.

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