Agenda Item 2A

Comment Letter Responses to Issues for Consideration 1— *Required Procedures When An ERISA-Permitted Audit Scope Limitation Is Imposed*

Issue 1—Required Procedures When an ERISA-Permitted Audit Scope Limitation is Imposed (Paragraphs 20-21 and related application material)

Respondents were asked to provide their 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.

Responder	Comment (Issue 1)	TF Consideration / Response
Supportive of Proposal		
VWC (1)	I think for the most part the proposed changes are fine.	Noted
Legacy (5)	We believe that the specific procedures and guidance will increase consistency in those executing the requirements. We are unsure whether the specific procedures and guidance will enhance execution.	Noted (see detailed comments (pars. 20a-20b) in appendix A to this document)

NJCPA (10)	We believe that the procedures and guidance outlined in the ED will improve the execution and consistency in audit procedures related to limited scope audits, particularly because current practice varies, resulting in inconsistent audit quality. Over the years, our Group has frequently discussed the diversity in ERISA audit practices. Our members often become aware of this when they are reviewing a predecessor's workpapers, when a member has been appointed as a successor auditor. Our members have also experienced this when they are proposing on an ERISA audit. Our members believe that ERISA audit quality has either diminished or not substantially improved over the years at least in part because some Plan sponsors view an ERISA audit as a commodity, rather than a valuable service. Those Plan sponsors typically engage the cheapest firm because they don't value a high quality audit. Often, low pricing precedes a decline in audit quality. Some CPA firms that provide ERISA audit services also share this perspective, and accordingly, drive down their pricing and perform lower quality audits in order to achieve profitability. We do not believe that the required procedures outlined in the ED are missing anything.	Noted
TIC (15)	TIC believes these procedures and guidance in the proposed SAS are consistent with what is currently included in the AICPA Guide and should enhance execution and consistency in these engagements. However, TIC strongly disagrees with paragraph 15 of the ED, where it indicates that "irrespective of the risks of material misstatement, the auditor should perform substantive procedures for the following." TIC believes that using this language would extend the auditor's responsibility beyond what would typically be required in an audit of financial statements, where the responsibility of the auditor is to ensure that those statements are free from material misstatement. TIC believes this also would have the unintended consequence of adding unnecessary costs to plan sponsors and participants. TIC does not have any recommendations related to additional procedures that should be added to the ED.	Paragraph 15 to be addressed with Issue 6

Freyberg (17)	We believe that the specific procedures and guidance will increase consistency in those executing the requirements. In order for affected plans to benefit, the specific procedures and guidance need to enhance execution. We question whether the procedures enhance execution.	Noted. (see detailed comments (pars. 20a-20b) in appendix A to this document)
FICPA (18)	We agree that the procedures and guidance will achieve the objectives of enhancing execution and consistency in engagements where an ERISA-permitted audit scope limitation is imposed. We do not believe there are any procedures missing that should be required.	Noted
LC&T (19)	We believe that the specific procedures and guidance will increase consistency in those executing the requirements. In order for affected plans to benefit, the specific procedures and guidance need to enhance execution. We question whether the procedures enhance execution.	Noted (see detailed comments (pars. 20a-20b) in appendix A to this document)
S&H (20)	We believe the audit procedures outlined in paragraph 20 of the Proposed SAS regarding information certified by a qualified institution as permitted by ERISA are complete and appropriate. While we believe inclusion of these procedures in the Proposed SAS is an appropriate step, as noted in our letter we do not believe that this will generally improve audit quality as firms and auditors performing EBP audits should have already been performing these procedures. If firms and auditors opted to not perform these procedures before we do not believe incorporation into the Proposed SAS will in and of itself change that behavior, therefore not achieving the objectives of enhancing execution and consistency in EBP engagements as intended.	Noted
Purk (24)	We believe that the specific procedures and guidance will increase consistency in those executing the requirements. In order for affected plans to benefit, the specific procedures and guidance need to enhance execution. We question whether the procedures enhance execution.	Noted. (see detailed comments (pars. 20a-20b in appendix A to this document)
Ross (25)	I believe that the required procedures outlined in Paragraph 20 will achieve your objective of consistency in the work performed during a limited scope audit.	Noted

BT (29)	The procedures and guidance proposed in paragraph 20(d) of the proposed SAS are much more in depth and descriptive as to the work that should be performed when a certification is obtained and the audit is a limited scope, we agree that the performance requirements would enhance the execution and consistency in engagements. None noted, as additional procedures and guidance has been provided in the proposed SAS in respect to understanding investment valuation methodologies, classification and presentation in the fair value hierarchy table of investments in the financial statements.	Task force proposing to remove par 20(d)
RSM (30)	It is our understanding that some audit firms may not subscribe to the AICPA Employee Benefit Plan Audit & Accounting Guide (the Guide) and currently are not performing any procedures related to the certified investment information described in the Guide. Therefore, we believe the audit procedures required by paragraph 20 of the proposed SAS will help to achieve the objectives of enhancing the execution of, and consistency in, audit procedures related to certified information when an ERISA permitted scope limitation is imposed. We do not believe the proposed SAS is missing any required procedures. Also, we believe auditors should continue to be allowed to exercise professional judgment with respect to the implementation of the audit procedures related to certified information, and therefore we do not believe any additional application guidance is necessary within the standard itself. However, if requested by other constituents, it may be beneficial for correlating example audit procedures to be provided in the Guide to illustrate how professional judgment may be applied to design further audit procedures in example situations.	Noted
PlanteM (32)	We generally agree the procedures and guidance will help to enhance execution and consistency in limited scope engagements; however, we believe some clarifications will help to better achieve the objectives ● We recommend consideration be given to using "presentation and disclosure" rather than "form and content" when describing the procedures to be performed related to certified information to provide more clarity.	Noted. (see detailed comments (pars. 20c – 20d in appendix A to this document) TF recommends removing par 20d

HMV (35)	We believe the procedures will achieve the objectives noted. We do not believe there are any procedures missing that should be required with regard to the stated objective	Noted
NASBA (41)	We believe that the proposed changes will enhance execution and consistency in these types of engagements. We have not identified any procedures that are missing.	Noted
CalTech (42)	We have no objections to the enhanced guidance in the SAS regarding the obligations of both preparers and auditors regarding limited-scope audits. We observe, however, that preparers and auditors that maintain a current understanding of GAAP and that consult the AICPA Audit and Accounting Guide for Employee Benefit Plans should together produce statements with the correct disclosures and sufficient audits thereof, respectively. While the SAS's more descriptive detail might "achieve the objectives of enhancing execution and consistency in these engagements" to some extent, we encourage the ASB and AICPA to determine whether additional detail in the SAS will reduce deficient audits in this area to the level desired, or whether other measures, such as revisions to the Audit Guide, better auditor education, or enhanced qualifying requirements for auditors of ERISA plans, are necessary.	Noted
AAFCPAs (44)	AAFCPAs agrees that, given the wide range of investment types and the diversity in fair value measurement methodologies, the procedures and guidance as proposed and outlined in paragraph .20(d) will improve the performance and consistency of financial statement reporting and disclosure. We recognize the FASB has embarked upon financial statement reporting "simplification" as evidence by the recently issued Accounting Standards Updates (ASU) 2015-07, 2015-10 and 2015-12, an the extensive disclosure requirements under Accounting Standards Codification (ASC) 820. We also agree that addressing audit performance and the procedural requirements as outlined in this exposure draft attempts to more clearly and distinctively identify the specialization of this assurance service. Recognition of this specialization within the ASCs, the employee benefit plan audit guide, and within our professional audit literature is needed. There is far too great a diversity of what constitutes a well-designed and executed employee benefit plan audit, and therefore this divergence in	Noted

	practice penalizes firms like AAFCPAs who strive to not only adhere to professional standards as written, but also to incorporate the spirit of the literature's intent and what the Department of Labor (DOL) wants. Providing guidance as the ASB is suggesting with the issuance of the proposed audit standard would improve the consistency of both the form and content of the financial statements in accordance with the applicable financial reporting framework.	
KSCPA (45)	In general we believe the Exposure Draft has been successful in identifying specific guidance and criteria necessary to complete these engagements. The additional guidance will provide for better execution and consistency for the auditor when completing these engagements.	Noted
MOCPA (49)	It is our opinion that the content of paragraph 20 does achieve the objective of providing clarity of standard to enhance audit execution as it relates to the auditor's responsibility to understand the provided certification and its propriety to be used with the plan's investment holdings.	Noted. (see detailed comment to par. 20 in appendix A to this document)
WIPFLI (52)	We agree the procedures and guidance in the Proposed SAS could enhance execution and consistency when an ERISA-permitted audit scope limitation is imposed. While the procedures and guidance identified in the proposed SAS are already defined in existing literature, the proposed SAS could encourage auditors to consider whether the appropriate procedures were performed. We further believe the consistency in audit quality objective could be achieved by enforced employee benefit plan audit training requirements, which may include modification of the existing ERISA CPE requirements, better monitoring by regulators to ensure auditors are meeting CPE requirements, and enhanced peer review programs. With regard to the information certified by a qualified institution as permitted by ERISA, plan sponsors and auditors are often challenged to determine which institutions are qualified as defined by ERISA. We believe the burden of proof of qualification should reside with each institution and, therefore, we recommend each institution not only be required to certify both the accuracy and completeness of the	Noted. TF noted that the DOL rules and regulation would have to be changed to add additional requirement related to the certification and therefore no changes

	investment information submitted, but should also be required to certify that they are a qualifying institution as defined under ERISA Section 103(a)(3)(c). This would considerably reduce the audit deficiency related to improper use of the limited scope exemption due to institutions not qualifying for such an exemption We identified no required procedures that are missing with respect to paragraph 20.	have been proposed related to this comment.
PWC (54)	We believe the procedures and guidance will achieve the objectives of enhancing execution and consistency in these engagements. We have not identified any additional procedures that should be required.	Noted
TN state (55)	We agree that the procedures and guidance will achieve the objectives of enhancing execution and consistency in these engagements. We can think of no other procedures that should be required.	Noted
Texas CPAs (63)	Our committee did not identify any procedures that should be required that were missing from this Exposure Draft.	Noted
GT (66)	We believe the procedures set forth in paragraph 20 of the Proposed SAS will provide consistency relative to the level of audit effort applied to information prepared and certified by a qualified institution as permitted by The Employee Retirement Income Security Act of 1974 (ERISA). The proposed procedures are generally aligned with our firm's approach to the information and our understanding as to other firms' approaches in this area. We further believe the procedures are sufficiently complete and have no recommendations for additional procedures.	Noted.
WFY (67)	The procedures and guidance in items 20, 20a to 20c and A42 to A46 are self-explanatory, well written and leave little room for doubt as to what is required of the auditor. A47 currently includes the following statement; "However, the auditor may need to understand the types of investments..." I recommend that the phrase "mav need" be replaced with "must." If the auditor does not understand the Plan's investments, how can they possibly conclude with any degree of certainty that the disclosures are	Noted TF recommends removing paragraph 20d and related application material in par.

	appropriate (required per A48d)? Our firm has found that certain custodians and trustees are not providing sufficient information regarding their assessment of the fair value hierarchy leveling. We are seeing more and more certified statements that include the phrase "requires research" when referring to the appropriate leveling of certain investments such as pooled separate accounts. In that case, the auditor must gain an understanding of the nature of those investments and perform tests as deemed necessary. Notwithstanding the above, I believe that the required fair value disclosures are easily the single most irrelevant and worthless disclosures in participant directed, defined contribution plan financial statements. Audit quality and consistency would be enhanced by deleting many of the fair value disclosures from these types of audits.	A47-A48 from the proposed SAS
OD (69)	We agree that the proposed requirements of paragraph 20 are reasonable as stated. A procedure that we believe is missing that could help conformity in practice would be to require 100% of the investments and investment income be covered by the certification to allow management to invoke the limited scope audit. If all investments and investment income are not covered by the certification, then the plan should be required to have a full scope audit.	Noted. Changes to DOL rules and regulations would be needed to require 100% of assets to be covered before a limited scope audit could be invoked.
GJC (82)	The procedures described in paragraph 20 of the proposed SAS, relating to investment information certified by a qualified institution in an ERISA limited-scope audit, are consistent with the procedures that we have observed to be performed in current practice. We agree that the inclusion of these procedures within the AU-C codification should enhance the execution and consistency of auditor performance with respect to certified investment information in ERISA limited-scope audits.	Noted.
MSCPA (89)	We agree the procedures and guidance will improve the performance and consistency of financial statement reporting and disclosures. There are no additional procedures that we feel should be recommended in this area.	Noted.

NCACPA (97)	A-The procedures and guidance do effectively achieve the objections of enhancing execution and consistency in limited scope engagements. However, paragraph A47 states "…the auditor may need to understand the types of investments held by the plan to evaluate whether the form and content of the ERISA plan's financial statement disclosures for those investments are in accordance with the applicable financial reporting framework." We often find that auditors do not obtain a sufficient understanding of plan investments in a limited scope audit. We think this sentence should be modified to say "should" instead of "may." This will cause auditors to investigate more thoroughly to ensure that they understand the types of investments being held so they can determine if they are being properly reported. This is a critical risk in the private middle market where typically auditors are also preparing the draft financial statements for their clients.	Noted. TF recommends removing paragraph 20d and related application material in par. A47-A48 from the proposed SAS
Anders (100)	Regarding paragraph 20 of the proposed standard, we agree that the procedures and guidance achieve the objectives of enhancing execution and consistency in these engagements. Anders' Response: Paragraphs 15 and 16 of the proposed audit standards do not include procedures for participant loan activity.	Noted. Paragraph 15-16 to be addressed as part of issue 6
MBAF (106)	We believe the procedures and guidance will achieve the objectives of enhancing execution and consistency in these engagements We do not believe any procedures are missing. We do understand the need to prescribe certain requirements to help ensure a high-quality audit. However, we believe that the auditor's exercise of professional judgement and the assessment of risk should drive further procedures, as needed.	Noted
Supportive of Proposal with Concerns		
PBTK (2) (Howard Levy)	Admittedly, except as noted in the foregoing paragraph, the proposed mandatory procedures (para. 20(a)(d)) that would be applied to investments subject to limited scope reporting, which are not mandated by ERISA, would not be burdensome, but	The task force reconsidered the required procedures and did not add a requirement

	these procedures would afford little or no assurance as to the reliability of the content of the plan custodian's certificate. However, if the final version of the proposal were to require that auditors obtain a type2 SOC-1 report on the effectiveness of the relevant internal controls applied by the custodian to the data reported in the certification (which it does not even suggest), it would somewhat strengthen the audit process and provide some additional measure of reliability. However, we do not see that additional reliability as sufficient to overcome the need for an overall disclaimer of (or possibly a qualified) opinion as would be prescribed in AU-C secs. 705.10-.13. As explained in para. A48(b)-(c), the proposed requirement of para. 20(d) would require an auditor, based solely on management's inquiries, to ascertain if investments subject to an ERISA-authorized scope limitation "are measured, presented and disclosed in accordance with the applicable financial framework" and "how investments at fair value are leveled in the fair value hierarchy table." ln view of the plan management's probable ignorance of such matters in almost all cases when a qualified custodian institution is employed, and the inherent lack of reliability of management inquiries, it is highly doubtful that such inquiries would have any value to the DOL or anyone else. This proposed requirement should be omitted from any final standard.	for a type 2 SOC 1 report to be obtained because the auditor was instructed not to audit the investment information. TF recommends removing par 20(d) and related application material in A47-A48.
BerryD (28)	Generally, we believe that the procedures and guidance in paragraph 20 will achieve the desired objectives. However, we do not believe it is appropriate to require the auditor to evaluate disclosures related to the certified information, as outlined in paragraph 20d. In order to audit the form and content of the disclosures, practitioners need to understand the investments, including their risks, methods of valuation, appropriate classification within the fair value hierarchy, and proper recognition of investment-related activity, among others. To do so, the practitioner would need to apply additional procedures (such as testing the underlying assumptions and methods used to estimate the fair value). These additional procedures, along with the procedures identified in the proposed amendments, constitute full-scope audit procedures. As a result, these procedures are contradictory to this ERISA permitted scope limitation. If the scope exception applies to investments and investment-related activity, it should also extend to the related disclosures.	TF recommends removing par 20(d) and related application material in A47-A48.

Dufek (31)	Paragraph 20 of the proposed SAS does not appear to reflect significant changes from existing standards. Accordingly, if done without implementing additional measures (as outlined on pages 1 and 2 of this response), we do not believe there will be meaningful change in enhancing execution and consistency in EBP audits. We believe that existing standards, and those in the proposed SAS, cover the procedures necessary to perform a quality audit	Noted
EY (53)	In addition, we are concerned that certain procedures the auditor would be required to perform when management imposes the ERISA-permitted audit scope limitation could be misinterpreted by users of the financial statements as meaning that the auditor is providing some level of assurance over the certified investment information. Therefore, we are recommending changes to the auditor's procedures and responsibilities in the proposed SAS to make it clear that the auditor is not providing any assurance over the certified investment information. In addition, because the auditor would no longer disclaim an opinion for these types of audits, we believe the certified investment information in the audited financial statements should be labeled "unaudited" to make it clear that the auditor did not audit such amounts or disclosures.	Noted. (see detailed comment to par. 20b, 20c, 20d, and 21 in appendix A to this document) The task force believes the auditing standards cannot prescribe how an item on the financial statements is categorized.
	Overall, we support the procedures outlined in paragraph 20 of the proposed SAS and believe they would enhance the execution and consistency of audits when management imposes the ERISA-permitted audit scope limitation. However, because the auditor is not auditing the certified investment information, we believe the use of the term "evaluate" in paragraphs 20b and 20d could be misinterpreted by users of the financial statements to mean that the auditor is providing some level of assurance over the certified investment information. We believe the SAS should make it clear that the auditor is not providing any assurance over the certified investment information. Therefore, we recommend the following edits to paragraphs 20b and 20d (with corresponding edits to paragraphs A8 (last sentence), 102b and 102d	See task force proposed changes to 20 b and c and removal of 20d

	and to the language in the auditor's report) of the proposed SAS: [*see detailed comment to par. 20b, 20c, 20d, and 21 in appendix A to this document]*	
BFB (56)	We believe that the specific procedures and guidance will increase consistency in those executing the requirements. In order for affected plans to benefit, the specific procedures and guidance need to enhance execution. We question whether the procedures will result in enhanced execution.	Noted (see detailed comments (pars. 20a-20b) in appendix A to this document)
BDO (57)	We concur that the inclusion of procedures and guidance when an ERISA-permitted scope limitation is imposed will help achieve the desired objectives. We believe they are crucial to improve the execution and consistency of audit procedures to address concerns identified by the Department of Labor's (DOL) Audit Quality Study. However, we suggest that certain procedures in paragraph 20 be made more descriptive to avoid vague terminology and inconsistencies in practice. [*see specific proposed changes to pars 20b and 20d in appendix A of this document*]	Noted. (see detailed comments (pars. 20b and 20d) in appendix A to this document)
Q-Zoud (58)	In general, we concur with the conceptual direction of the exposure draft relating to the limited scope, but believe there is a fatal conceptual omission related to the consideration of the valuation measurement issue. It is critical to address the responsibility for the valuation measurement of the assets in the Audit Report. It is paramount that the users of the financial statements understand whether or not any corroboration of the Values has been performed by the qualifying financial institution or the Auditor. If neither of these two parties has performed any corroborating procedures related to the Valuation, this should be explicitly communicated to the user of the financial statements. This measurement goes directly to the ability of the Plan to provide the promised Plan benefit.	Noted.
Hemming (71)	We believe that the specific procedures and guidance will increase consistency in those executing the requirements. In order for affected plans to benefit, the specific procedures and guidance need to enhance execution. We question whether the procedures enhance execution.	Noted (see detailed comments (pars. 20a and 20b) in appendix A to this document)

DT (80)	D&T believes that the procedures and application guidance included in the proposed SAS relating to when the ERISA-permitted audit scope limitation is imposed will assist in driving improved and appropriate behavior in practice. However, there are a number of issues that we believe should be addressed in this section of the proposed SAS, *Procedures When ERISA-Permitted Audit Scope Limitation is Imposed* (refer to paragraphs 20 and 21, and related application material), in order to enhance and clarify the requirements. These issues are as follows: ● Management's assessment (paragraph 20b). D&T believes that the evaluation as outlined in paragraph 20b of the proposed SAS relating to whether the certification is issued (or transmitted) by a qualified institution should be based on management's assertion, and not management's assessment. Management should be making an assertion that the statement relating to assets held for investment of the plan ("investment information") is prepared and certified by a qualified institution in accordance with ERISA, and the auditor should, based on professional judgment, perform appropriate audit procedures in order to evaluate that assertion. ● Prepared and Certified by a Qualified Institution Title 29 U.S. Code of Federal Regulations (CFR) Part 2520.103-5 (29 CFR 2520.103-5) of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA requires that the qualified institution "transmit and certify such information as needed by the administrator…" for annual reporting purposes. In addition, 29 CFR 2520.103-8 states that the "report of an independent qualified public accountant need not extend to any statement or information prepared and certified by [a qualified institution]." In neither instance is there a reference to the *issuance* of the certification, rather *transmittal* is used in 29 CFR Part 2520.103-5. D&T believes that the activity of the qualified institution extends to both preparation and certification. This required (and duly certified) statement relating to investment information is then transmitted to the plan administrator.	Noted. (also see detailed comments in appendix A to this document) See task force proposed changes to par 20b. Added "and certified" to paragraph 20a. Task force to align with the entire proposed SAS at a future time.

	D&T noted a number of instances where only "prepared" is used in the requirements of the proposed SAS. We believe that this may result in the auditor inappropriately inferring that it is acceptable for one bank or similar institution or insurance carrier, as applicable in the circumstances, to prepare the statement relating to investment information, and for another bank or similar institution or insurance carrier to certify such a statement, one of which would be the qualified institution. D&T therefore recommends that the phrase "prepared and certified" be used consistently throughout the proposed SAS, and that "transmitted" replace "issued" so as to align with the wording used in the DOL's rules and regulations. This recommendation also extends to management's assertion and written representation. Examples of the singular use of "prepare" include: ○ Paragraphs 12d(b) and 20a of the proposed SAS refer to the certification being prepared by a qualified institution. ○ Paragraph 22d(b) of the proposed SAS requires that a written representation be obtained from management that acknowledges management's responsibility to evaluate "whether the certification is prepared by a qualified institution." ○ Paragraph 96a*i* of the proposed SAS where management's responsibility extends to an evaluation of whether the "certification is prepared by a qualified institution" ● Applicability of AU-C 705 (paragraph A42). As discussed previously, we believe the auditor should express a qualified opinion when the ERISA-permitted audit scope limitation is imposed by management. ● Certification does not provide sufficient appropriate audit evidence on its own (paragraph A45).	Task force to consider once entire proposed SAS is reconsidered. See option 2 in Issue 2 in agenda item 2. ASB to consider form of report. ASB to provide feedback to the task force relating to the form of the report. Once a way forward is determined task force to consider these

	The application material indicates that the certification "does not provide sufficient appropriate audit evidence on its own," but does not provide the appropriate context for the auditor to make the determination as to what would constitute sufficient appropriate audit evidence or the assertions or risks of material misstatement for which the audit evidence is not sufficient. Therefore, clarification as to the assertions or risks of material misstatement that the certification as audit evidence is responsive to, is needed. Additionally, to provide further clarity, the application material should indicate that the audit procedures required in paragraphs 20a–d of the proposed SAS are necessary in order for the auditor to rely on the certification as audit evidence. Refer to Appendix C for edits to the relevant paragraphs that take into account the reasons for the matters addressed above as well as other editorial recommendations, and Appendix D for the related edits to Illustrations 3 and 7 of paragraph A148, Exhibit—*Illustrations of Auditor's Reports on Financial Statements of Employee Benefit Plans Subject to ERISA*.	comments in light of new form of report.
Clark N (84)	Response: The procedures cited in paragraph 20 are consistent with the guidance outlined in the existing AICPA Employee Benefit Plan Audit and Accounting Guide and commercially available practice aid materials. Accordingly, we believe that the audit practices of qualified independent plan auditors who have been consistently following the Guide will not change significantly. By bringing the guidance into AU-C 703, it is likely that adherence to intended practices will be enhanced. However, the degree of audit quality enhancement is uncertain, as we believe the guidance in the proposed AU-C is already being adhered to by firms that have appropriate quality control procedures in place within their firm's assurance practice. We did not notice any obvious omissions in audit procedures.	Noted
Wiss (85)	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	Noted. TF recommends removing paragraph 20d and related application material in

	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.	par. A47-A48 from the proposed SAS
Calibre (90)	As you are aware, according to the DOL, the failure rate of limited scope audit engagements is extremely high. Many auditors of these types of engagements do not have expertise in employee benefit plan auditing, tend not to follow the AICPA Employee Benefit Plan Audit Guide, and will most likely not perform the recommended audit procedures in paragraph 20 of the proposed SAS.	Noted (see detailed comments (pars. 20a and 20b) in appendix A to this document)
Crowe (91)	Paragraph 20(b) Paragraph 20(b) states that the auditor "should evaluate management's assessment of whether the entity issuing the certification is a qualified institution under DOL rules and regulations." Given the subjective nature of the term "evaluate", we would recommend adding application guidance to paragraph 20(b) similar to the application guidance provided for paragraph 20(d) in A48.	Same comment also reflected in appendix A to this document Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.
LBMC (93)	The AICPA Employee Benefit Plan Audit Guide (the Audit Guide) generally includes many of the proposed procedures. For many of the smaller plans being audited, we do not believe management is currently performing all or most of the suggested procedures but is relying on the auditor to make or assist in determining whether a limited scope audit should be performed. We believe that these suggested procedures would help emphasize that management is responsible for the decision to have a limited scope audit performed and that the certification is appropriate. We also believe that it will be beneficial for auditors to understand what is required of them when performing a limited scope audit.	Noted. (see detailed comments (pars. 20d in appendix A to this document)
ABA (96)	Under current audit requirements and within ERISA regulation, in certain circumstances, the EBP sponsor may instruct the auditor not to perform any auditing procedures with respect to investment information. The option is commonly referred to as a "limited scope audit." In these circumstances, qualified institutions (as plan	Noted. (see detailed comments after this table)

	custodians) generally certify as to the completeness and accuracy of investment information (the certification). The Proposal provides guidance to auditors for both limited and full scope audits and, as a result, emphasizes a greater understanding of responsibilities of the plan sponsor and of the custodian(s). Since ERISA's enactment, custodial and trust duties and relationships have evolved alongside changes in the financial markets. For example, the manner in which plan assets are held has changed dramatically since 1974, as pointed out by the Department of Labor (DOL) Office of Inspector General's (OIG's) report in the audit of benefit plans, with the vast majority of most asset classes being no longer held in physical form but instead reflected as "books and records" holdings. Additionally, certain existing practices among custodians related to valuation of specific assets, such as limited partnerships, may not necessarily comply with the appropriate accounting framework (fair value). While the Proposal brings clarity and focus as to when reliance on the certification to limit the scope of the audit is permissible, we request that the Auditing Standards Board (ASB) consider two issues that are integral to the Proposal's goals but which remain unaddressed: ● The Proposal does not address the inherent gaps in the ERISA statutes which result in known limits of the certification, specifically: (a) no clear definitions or interpretations of "to hold" assets and to "execute investment transactions," and (b) the requirement to certify the completeness and accuracy of the investments, rather than to certify specifically as to their fair values. ● The final standard should provide additional clarity and guidance on what action should be taken by the auditors and plan sponsors based on the known limits of the certification, particularly when complex assets are held by the plan. For example, the final standard should address how the auditor obtains reasonable assurance that the plan sponsor was able to make the determination that "the certified investment information is appropriately measured,	The task force does not believe it is appropriate for the proposed SAS to interpret ERISA.

	presented, and disclosed in accordance with the applicable financial reporting framework."	
ABA (96)	**[See content contained after this table for further ABA feedback relating to their comments]**	
Draffin (103)	We believe the proposed procedures and guidance will enhance execution and consistency in these engagements. We believe the standard should provide a conceptual framework allowing for engagement specific professional judgement rather than an exhaustive list of procedures.	Noted
EideB (107)	Response: We believe that the procedures proposed in paragraphs 20—21 are consistent with our current practice. However, there could be clarification of paragraph 20(b) as to what a "qualified institution" would be and whether an all-encompassing "custodian" term can be used within the auditor report. Response: We believe it would be helpful to add discussion of the role of agents for the custodian in the Application Material.	Noted.
Not Supportive of Proposal		
HS (3)	The standard is not realistic. Management of the vast majority of these plans is not adequately informed as to "the appropriateness of selected investment valuation methodologies", and why should they be? ERISA allows the acceptance of the certification if it comes from an authorized source. Let's be consistent here. Either we, as a profession, continue to accept, as we have for almost 45 years, ERISA's permission to accept a properly sourced, properly formatted and properly signed certification, enabling a limited-scope audit resulting in a disclaimer of opinion, or the DOL should get Congress to change ERISA if they want an auditor's report other than a disclaimer.	Noted.

	As a result of coming up with the confusing and illogical language of the new report, see response to (2) immediately below, the ASB feels compelled to now impose some new requirements as regards the certification to provide some comfort as a basis for relying on the certification, even though ERISA says we can just accept the certification and not do any further audit procedures on the assets covered by the certification. As noted by the ASB in paragraph A45 of the ED, the certification is not sufficient audit evidence. The proposed procedures relating to the certification do not amount to auditing the information covered by the certification. The DOL, as noted in paragraph A4, does not establish GAAP. Nor does the DOL establish GAAS. ERISA allows auditors to "accept" the certification and not audit the assets covered by the certification. Importantly, the absence of performing sufficient audit procedures on that data historically has been the basis for our disclaimer of opinion on the financial statements. In this regard, I believe that AU-C 705.10 appropriately establishes the requisite guidance for our profession. In any case, and accepting that the ASB is committed to this new course of action, I think the following new report language is confusing, and I believe financial statement users will too: In our opinion, based on our audit ***and based on our use of the certification of the investment information which we were instructed not to audit***, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of XYZ 401(k) plan as …. It is inappropriate to base an unqualified opinion, in part, on a certification of investment information, that practitioners are instructed not to audit. This is particularly problematic considering the related investment information comprises the majority of the statement of assets available for benefits. The proposed language subordinates our professional standards to the wishes of non-standards setters. These concerns aside, if the ASB changes its opinion and concludes that the certification constitutes sufficient appropriate audit evidence, the ASB should (1) change A45, and (2) reword the report to state:	

	In our opinion, based on our audit ~~and based on our use of the certification of the investment information which we were instructed not to audit~~, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of XYZ 401(k) plan as …. In other words, make a firm decision about whether the certification is sufficient appropriate audit evidence, and then be consistent with extant standards in the implementation of the decision. This Solomon-like splitting the baby approach, manifested in the combination of paragraphs 104 and 106, is not, in my view, in our profession's best interests.	
CalCPA (13)	We believe the proposed standard is unrealistic. The Committee believes that in several instances, management of these plans are understandably, not adequately informed as to "the appropriateness of selected investment valuation methodologies". ERISA allows the acceptance of the certification if it comes from an authorized source. Let's be consistent here. Either we, as a profession, continue to accept, as we have for almost 45 years, ERISA's permission to accept a properly sourced, properly formatted and properly signed certification, enabling a limited-scope audit resulting in a disclaimer of opinion, or as noted above, if the DOL is unsatisfied with existing laws and regulations governing employee benefit plans, we recommend that it make its case to the United States Congress. As a result of coming up with the confusing and illogical language of the new report (i.e., see response to (2) immediately below), it appears that the ASB feels compelled to now impose some new requirements as regards the certification to provide some comfort as a basis for relying on the certification. This is inconsistent with ERISA, which permits the acceptance of the certification without doing any audit procedures on the assets covered by the certification.	Noted.
BB (22)	We are doubtful whether the procedures and guidance offered with respect to limited scope audit engagements will provide consistency or enhanced execution. Many limited scope audits are performed by CPAs with limited experience in auditing employee benefit plans. There are over 5,000 CPA firms who perform 5 or fewer employee benefit audits. Most of the audits performed by these practitioners are limited	Noted. (see detailed comments (pars. 20b in appendix A to this document)

	scope engagements. The failure rate of those audits is extremely high, suggesting that current auditing standards and industry aids such as the AICPA Employee Benefit Plan Audit Guide are not followed or utilized. Accordingly, it is highly unlikely these practitioners will perform the additional procedures required in paragraph 20 since so many of them fail to perform the existing procedures necessary to render the current disclaimer of opinion. As noted by the ASB in paragraph A45 of the ED, the certification is not sufficient audit evidence. We believe the proposed procedures relating to the certification do not amount to auditing the information covered by the certification. The DOL, as noted in paragraph A4, does not establish GAAP. Nor does the DOL establish GAAS. ERISA allows auditors to "accept" the certification and not audit the assets covered by the certification. Importantly, the absence of performing sufficient audit procedures on that data historically has been the basis for our disclaimer of opinion on the financial statements. In this regard, we believe that AU-C 705.10 appropriately establishes the requisite guidance for our profession. In any case, and accepting that the ASB is committed to this course of action, we find the following new report language to be confusing and believe financial statement users will too: "In our opinion, based on our audit and based on our use of the certification of the investment information which we were instructed not to audit, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of XYZ 401(k) plan as […]" The Committee believes it inappropriate to base an unqualified opinion, in part, on a certification of investment information, that practitioners are instructed not to audit. This is particularly problematic considering the related investment information comprises the majority of the balance sheet. We believe that doing so subordinates our professional standards to the wishes of non-standards setters. In other words, we believe the ASB should make a firm decision about whether the certification is sufficient appropriate audit evidence, and then be consistent with extent standards in the implementation of that decision. This Solomon-like splitting the baby	

	approach, manifested in the combination of paragraphs 104 and 106, is not, in our view, in our profession's best interests.	
THDL (23)	We feel that the procedures and guidance described in paragraph 20 of the proposed SAS do not change or enhance execution or consistency in the ERISA-permitted audit scope limitation engagements. The guidance may provide clarity, but it does not change the current required procedures for a limited scope audit.	Noted
HN (27)	We do not believe that the procedures will enhance execution. The proposed SAS gives examples of procedures that may help the auditor evaluate whether the financial statement disclosures for the ERISA plan are appropriate, including making inquiries of management regarding how investments are leveled in the fair value hierarchy table. In many cases, plan management relies on third parties to make this assessment.	Noted.
NYSSCPA (37)	**Response:** We believe there are no procedures proposed in the ED that would enhance the execution and consistency of performance in these engagements such as to contribute in a meaningful way in support of an unmodified opinion as proposed. The foregoing notwithstanding, we support: • The proposed requirement of paragraph 20. c. to "evaluate management's assessment of whether the entity issuing the certification is a qualified institution under DOL rules and regulations." We view this procedure as reasonable and consistent with the objectives of the DOL and the auditor representations that would be made in any report without regard to the nature of the opinion to be issued, and • A requirement that is missing from the proposal is for auditors to seek a SOC-1 report (preferably, type 2) without regard to the nature of the opinion to be issued. We likewise view this procedure as reasonable and consistent with the objectives of the DOL.	Noted.
ABC/CIEBA (38)	3. This proposal should not be used to undermine limited scope audits.	Noted.

	The Council and CIEBA are concerned that the expanded audit procedures contained in the Exposure Draft, if adopted, could support DOL efforts to eliminate or limit the availability of limited scope audits, which streamline the audit process and lower costs. The current Exposure Draft would require the auditor to obtain new written representations from plan fiduciaries acknowledging responsibility for determining if the limited scope audit is available and whether the certification has been prepared by a qualified institution. Generally, we are comfortable with auditors seeking this representation. We are also comfortable with the Exposure Draft's requirement for specified procedures when a scope limitation is involved. Our overall concern, however, is that the cumulative thrust of all of these changes appears to be to undermine, to a significant extent, the limited scope audit itself. ERISA authorizes the use of the limited scope audit as a narrow exception to its full plan audit procedures.[1] The limited scope audit only applies to a plan's investment information, but not with respect to other plan information, such as participant data, contributions, or benefit payments. Full audit procedures still apply with respect to that other information. The limited scope audit offers significant and justified cost-saving advantages. If a regulated bank or insurance carrier provides a plan's auditor with investment information that is appropriately prepared and certified, then the plan administrator can instruct the auditor not to audit the financial statements and schedules relating to those plan investments. Because auditors do not need to review information that has already been prepared and certified, the limited scope audit conserves the auditor's time as well as the plan's financial and administrative resources. Consequently, using the limited scope audit prevents unnecessary costs from being imposed or passed on to plan participants. Despite the limited scope audit's statutory basis, narrow application, and proven cost-saving benefits, DOL has consistently attempted to curtail its use. In 2010, for instance, DOL asked the ERISA Advisory Council to consider whether the limited	

[1] ERISA § 103(a)(3)(C). *See also* 29 CFR § 2520.103-8.

	scope audit should be repealed.[2] (The ERISA Advisory Council, which includes representatives from all interested parties, not just the audit community, subsequently recommended that the limited scope audit should not be repealed.[3]) Recently, in 2015, DOL issued a report that heavily criticized the use of the limited scope audit and described DOL's past support for failed legislative initiatives that would have eliminated the limited scope audit.[4] In other words, DOL has made its opposition to the limited scope audit, irrespective of the procedure's usefulness, abundantly clear. Representatives of AICPA have also taken the position that the limited scope audit should be repealed, including in connection with the ERISA Advisory Council's review of the topic.[5]	
	The Council and CIEBA recognize the importance of seeking to improve the limited scope audit procedures to enhance the limited scope audit's content and quality, and does not disagree that improvements to the current procedures could be warranted.[7] In our experience, however, the chief issue is the lack of training and experience of the individuals who are tasked with the plan audit, not the limited scope audit provision itself.	
	The limited scope audit is the creation of a statutory rule, set by Congress, and it is not appropriate for either DOL or the AICPA to use improvements in audit "quality" to undermine this important tool for plans. Any increased audit cost as a result of undermining the limited scope audit, one way or another, will be charged to plans and participants. And auditing of investment statements certified by regulated banks and	

[2] ERISA ADVISORY COUNCIL, U.S. DEP'T OF LABOR, EMPLOYEE BENEFIT PLAN AUDITING AND FINANCIAL REPORTING MODELS (2010) ("ERISA Advisory Council Report"), http://www.dol.gov/ebsa/publications/2010ACreport2.html.

[3] *Id.*

[4] U.S. DEP'T OF LABOR, ASSESSMENT OF THE QUALITY OF EMPLOYEE BENEFIT PLAN AUDITS (2015), http://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/publications/assessment-ofthe-quality-of-employee-benefit-plan-audits.

[5] ERISA Advisory Council Report ("AICPA has supported the repeal of limited scope audits since 1978.").

[7] In making these improvements to existing procedures, we ask AICPA to ensure that any changes to the limited scope audit will be cost-effective, as well as beneficial to the plan audit process.

	insurance provides no additional benefit plans for those additional fees to the audit firm. By expanding the scope of audit procedures and the written representations that management must make as part of the limited scope audit, the proposals in the Exposure Draft would increase the financial and administrative costs of the limited scope audit. These increased costs would negate the limited scope audit's inherent value. Because the Council and CIEBA are concerned that these changes could be used by DOL in future efforts to undermine the limited scope audit, we strongly urge AICPA to approach efforts to revise these procedures with these considerations in mind.	
KPMG (46)	We believe the limited procedures included in the Proposed Standard provide insufficient clarity as to what is expected of auditors, and forming an opinion when the account balances and classes of transactions certified (unaudited) are material and pervasive would be inconsistent with AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report*. Further, we believe a reporting model similar to AU-C section 600, *Special Considerations – Audits of Group Financial Statements*, including the Work of Component Auditors when dividing responsibility among auditors, to describe an opinion based on audit procedures and certified information may be misunderstood by users of the financial statements. However, we do recognize the unique nature of the Audit Scope Limitation, and accordingly, the auditing standards should be amended for these unique engagements, with specificity of procedures to be performed, and transparency of such procedures to the users of the EBP plan financial statements, and the auditors' reports thereon. We believe that the unique nature of the Audit Scope Limitation requires explicit requirements for auditor performance, which is challenging when the auditing standards are generally principles based. The required procedures in paragraphs 20 – 21 of the Proposed Standard too broadly expands the auditors' responsibility for the certified information in Audit Scope Limitation engagements and the requirements are too subjective to achieve consistent application. Our view is based on an objective read	Noted. See Issue 1 in agenda item 2.

	of the DOL Rules and Regulations, experience, and the proposed auditors' report language for this unique engagement. Consider the following excerpts from DOL Rules and Regulations: ERISA 103(3)(A) (with emphasis) - **"Except as provided in subparagraph (C)**,… conduct such an examination of any financial statements of the plan, … to enable the accountant to **form an opinion as to whether the financial statements and schedules** required to be included in the annual reports by subsection (b) of this section **are presented fairly in conformity with generally accepted accounting principles** … Such examination shall be conducted in accordance with **generally accepted auditing standards**, and shall involve such tests of the books and records of the plan as are considered necessary by the independent qualified public accountant. **The independent qualified public accountant shall also offer his opinion as to whether the separate schedules specified in subsection (b)(3) of this section** …**present fairly, and in all material respects the information contained therein when considered in conjunction with the financial statements taken as a whole.** ERISA 103(3)(C) (with emphasis) **The opinion required by subparagraph (A) need not be expressed** as to any statements required by subsection (b)(3)(G) prepared by a bank or similar institution or insurance carrier regulated and supervised and subject to periodic examination by a State or Federal agency if such statements are **certified by the bank, similar institution, or insurance carrier as accurate and are made a part of the annual repor**t. 29 CFR § 2520.103-5 Transmittal and certification of information to plan administrator for annual reporting purposes *Certification* - An insurance carrier or other organization, a bank, trust company, or similar institution, or plan sponsor, as described in paragraph (b) of this section, shall certify to the **accuracy and completeness** of the information described in paragraph (c) of this section by a **written declaration** which is signed by a person authorized to represent the insurance carrier, bank, or plan sponsor. **Such certification will serve as a written assurance of the truth of the facts stated therein**. *Example of Certification.* The XYZ Bank (Insurance Carrier) hereby certifies that the	

	foregoing statement furnished pursuant to 29 CFR 2520.103-5(c) is complete and accurate. Other relevant sections of the DOL Rules and Regulations state that the content of the certification is to be based on the ordinary business records of the certifying entity. Therefore, if the plan administrator has determined that the conditions of limiting the scope of the audithave been met, which includes obtaining an appropriately worded certification, then the DOL Rules and Regulations do not impose further audit requirements with respect to that information. We agree that the regulatory requirements support including the paragraphs in the Proposed Standard requiring management to agree to their responsibilities as part of engagement acceptance, and then reaffirming as part of management's representations are appropriate. Since the Audit Scope Limitation was adopted in 1974, there have been significant changes in the types of investments held by ERISA plans and a proliferation of financial industry regulations that have changed the way qualified institutions, as defined by the DOL Rules and Regulations, operate. Plan administrators and auditors have long experienced challenges determining whether the certifying institution was in fact appropriate (because of complex legal structures and agent arrangements), whether the language used by the certifying institution complied with ERISA (because it varies greatly by certifying institution), and whether the scope of the certification was sufficient, including whether the information is at fair value as of the reporting date. Unfortunately, practice has evolved to where the determination of whether the certification is appropriate for the circumstances has often been relegated from the plan administrator to the auditor. Further, interpretive guidance in the Guide as to the auditors' responsibilities may not have been consistently applied as paragraph 21 of the Proposed Standard exists in the Guide (paragraph 8.170). In practice, the challenge has been how to apply becoming "aware" that the certified information is incomplete, inaccurate, or otherwise unsatisfactory. Auditors with relevant EBP audit experience generally have knowledge about the business practices of the certifying institutions beyond what is specific to any individual plan circumstances which often creates disconfirming evidence. Additionally, auditors have limited guidance as to the appropriate audit response when the ability to accept the certification is questioned. We believe that the Proposed Standard should have provided better clarity to auditors	

	in these circumstances. In applying the auditing standards to other scope restriction circumstances, if the auditor has nevertheless accepted an engagement knowing that the restriction on audit scope exists and could result in a modified or disclaimer of opinion, the auditor would have no further obligation to evaluate management's basis for the scope restriction or to perform audit procedures for assertions related to the scope restriction. While it may be in the interest of plan participants to have auditors identify potential problems with the certification, putting management's responsibility on to auditors and creating an auditing standard that has unnecessary differences with the principles in other auditing standards, may also create confusion which is not in the interest of either the public or the profession. Instead, we believe there would be a significant benefit to audit quality and consistency of application if the Proposed Standard reset expectations regarding auditor responsibilities and the expected procedures for the certified information based on the requirements in DOL Rules and Regulations, rather than on how practice has evolved. We recommend the following for the Board's consideration: ● The Proposed Standard should be expanded to explicitly state how the auditor performs the risk assessment assessment procedures required by AU-C section 315 in an Audit Scope Limitation engagement. Paragraph 6 says the audit need not extend to information related to certified investment information, but the Proposed Standard is not explicit as to what other aspects of the auditing standards apply, and how they apply to the unique circumstance. Paragraph 8.169 of the Guide, contains the statement that the auditor has no responsibility to obtain an understanding of control relevant to the certified information and limits responsibility to the enumerated procedures. This limitation is highlighted in paragraph 102 which states "…with respect to the certified investment information that management instructed the auditor not to audit, the auditor did not assess the risks of material misstatement nor did the auditor consider internal control over the certified investment information…". We believe part of the audit quality issues may relate to inconsistencies in applying AU-C section 315 because the understanding of controls is only one aspect of	

	risk assessment. How management complies with the plan's regulatory requirements including the requirements to select appropriate service providers, determine the scope of the audit, and the selection of accounting principles appropriate for the entity, among others, are essential elements of risk assessment procedures required in all audits. ● The term "evaluate" is too subjective and, as used in 20(b) could be misinterpreted to mean that the auditor is expected to do more than perhaps is intended or otherwise required. To implement our recommendation for paragraph 20(b) we suggest: Inquire of management how it assessed that ~~evaluate management's assessment of~~ ~~whether~~ the entity issuing the certification is a qualified institution and the certified investment information is complete and accurate as required by ~~under~~ DOL Rules and Regulations so that the scope of the audit may be limited. • In our consideration of what additional procedures should be performed on certified investment information when management imposes an Audit Scope Limitation, we believe that the objectives of the accountant in accordance with AR-C section 80, Compilation Engagements, are more on point. Specifically, we recommend the Board consider the procedures in AR-C 80.13 in which the accountant reads the financial statements in light of the accountant's understanding of the financial reporting framework and the accounting policies adopted by management (which is consistent with our recommendation with regard to risk assessment procedures) to consider whether the financials statement appear to be free from obvious material misstatements. We suggest the following modification to paragarph 20(c): Agree ~~Compare~~ the certified investment information ~~with the related information included in the ERISA plan financial statements and related disclosures~~ to the same amounts included in the financial statements and disclosures.	

	• While we acknowledge that paragraph .20(d) is similar to existing guidance, we do not believe that the auditor should be responsible for evaluating the form and content of the certified investment disclosures or inspecting supporting documentation for the types of investments held by the plan when not auditing the information and underlying transactions. Further, from experience, we believe there is significant diversity in practice with regard to the certified information that the Proposed Standard should directly address. Some auditors believe that the conclusion may be achieved by reading the financial statements for apparent inconsistencies or errors and omissions. Others may believe they have to obtain evidence, for example, in support of the fair value hierachy disclosures. Regardless, if the balances and transactions are not audited, we believe the auditor does not have a basis to report on form and content. The auditor's responsibility should be limited to inquiries of mangement to understand the nature of the investments and the related disclosures because if not performing audit procedures on account balances or classes of transactions, there will be insufficient evidence to conclude on the form and content of disclosures. We suggest the following modification to paragarph 20(d): Read the certified information included in the financial statements and disclosures for purposes of considering whether the financial statements are appropriate in form and free from obvious material misstatements based on an understanding, through inquiry of management, the types of investments held by the ERISA plan and how it assessed that ~~evaluate whether the form and content of~~ the ERISA plan financial statement disclosures related to the information prepared and certified by a qualified institution are in accordance with the applicable financial reporting framework. • The requirement in paragraph 21, based on paragraph 8.170 of the Guide, has contributed to the inconsistent auditor response to certified information as it lacks specificity as to both the rationale for why the auditor has a responsibility for the completeness, accuracy, or otherwise satisfactory nature of the certification, and if we assume there is such responsibility, what is the appropriate audit response. We believe that, at a minimum, application material similar to guidance in paragraphs	

	8.170-8.174 of the Guide is needed. Additional application material should be developed to include topics such as revision of engagement letters and revision of risk assessment procedures. Similar to AU-C section 700.58 and paragraph .87 of the Proposed Standard, another requirement should exist for the auditor to request management to similarly label the certified investment information as unaudited or covered by qualifying institution certification. This would provide the users of the financial statements with a better appreciation of the pervasiveness of the certified information in furtherance of the goal of transparency in these engagements.	
KPMG (46)	*Way Forward* In addition to focusing on the transparency of auditor reporting, we believe this is the Board's opportunity to reset its expectations through specific requirements, for all ERISA plan audits irrespective of Audit Scope Limitation. Many of our suggestions build on the interpretative guidance in the AICPA's Audit and Accounting Guide Employee Benefit Plans (the Guide). We offer the following recommendation and would be pleased to assist the Board with incorporating them into the Proposed Standard: • There should be an explicit requirement to obtain an understanding of the plan document provisions, and how the plan uses service organizations (for example, recordkeepers, claims processors, and trustee agreements) in applying AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (AU-C section 315) to identify and assess the risk of material misstatement in the financial statements. The basic building blocks for an ERISA plan, as the entity subject to audit, are the plan document and other relevant service agreements as they represent the ERISA plan's operating policies and procedures and therefore shape the entity and its environment. For a plan to retain its qualified status, the plan must satisfy specificed provisions of the Internal Revenue Code (the Code) in both form and operation. That means that the provisions in the plan document	

	(form) must satisfy the requirements of the Code and that those plan provisions must be followed (operations). Again, we believe the plan document is the basis from which mangement establishes its policy and procedures, including the selection and application of accounting policies, and is essential to auditor's applying the requirements of AU-C section 315. The Proposed Standard might include specificity in applying these provisions of AU-C section 315 to an ERISA plan, including application material where applicable. Moreover, most ERISA plan's control environments are influenced by third parties. Service organizations play a key role in how the plan's policies and procedures comply and support processing transactions in accordance with the plan document. Often, the service organization is authorized by the plan administrator to initiate, execute, and account for the processing of transactions without specific authorization of individual transactions. Paragraph 9 of AU-C section 402, *Audit Considerations Relating to an Entity Using a Service Organization*, states that when obtaining an understanding of the user entity in accordance with AU-C section 315, the user auditor should obtain an understanding of how the user entity uses the services of a service organization in the user entity's operations, including the nature of the services provided by the service organization and the signficance of those services to the user entity, including their effect on the user entity internal control. The Proposed Standard should explicity state that the understanding of the entity comes from understanding all relevant documents and agreements and how the plan uses, and controls or monitors the services of the service organization in its operations. • AU-C section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* (AU-C section 250), addresses the auditor's responsibility to consider laws and regulations in an audit of financial statements. AU-C section 250 contemplates, as is the case for ERISA plan audits, that the effect on financial statements of laws and regulations varies considerably and indicates that the provisions of some laws and regulations have a direct effect on the financial statements in that they determine the reported amounts and disclosures in an entity's financial statements. Paragraph 13 of AU-C section 250 indicates that the	

	auditor should obtain sufficient appropriate audit evidence regarding material amounts and disclosures in the financial statements that are determined by the provisions of those laws and regulations generally reecognized to have a direct effect on their determination. Paragraph .A10 of AU-C section 250 emphasizes that "the auditor's responsibility regarding mistatements resulting from non-compliance with laws and regualtions having a direct effect on the determination of material amounts and disclosures in the financial statements is the same as that for misstatements caused by fraud or error." Once again we believe that specific requirements for the application of the above paragraphs could be included in the Proposed Standard, including application material as necessary. The Proposed Standard should require the auditor communicate findings identified by the audit to those charged with governance unless they are clearly inconsequential. • We acknowledge that some auditors currently limit the substantive audit procedures to testing cash transactions, without consideration as to how the plan document guides the flow of business transactions and selection of accounting policies. To address this we believe that the Proposed Standard should provide more specific requirement and application material building on AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained* (AU-C section 330). We support a principles based approach to audit procedures responsive to relevant assertions, which based on the plan provisions: (1) the auditor determines if there is a risk of material misstatement at the assertion level related to material class of transactions, account balance and disclosure in accordance with AU-C Section 315 and (2) for each identified class of transaction, account balance or disclosure relevant substantive testing is expected to be performed to the extent applicable to support plan document compliance. For example, o Whether the participants meet the eligibility requirement based upon the provisions of the plan instrument which may affect the completeness, accuracy, occurrence, rights and obligations and presentation and disclosure assertions.	

	○ Whether transaction amounts are calculated in accordance with the provisions of the plan instrument, including, but not limited to, formula, vesting, eligible compensation, and limits which may affect the completeness, accuracy, occurrence, rights and obligations and presentation and diclosure assertions. ○ Whether transactions are recorded in the appropriate individual accounts based upon the plan provisions (e.g. contributions applied to the applicable participant's account in a defined contribution plan) which may affect the occurrence, rights and obligations, and presentation and disclosure assertions.	
Lindquist (50)	We believe the procedures and guidance will not achieve the objectives of enhancing execution and consistency in these engagements. Experienced auditors of employee benefit plans are aware of possible certification issues and the required audit procedures and documentation relating to the limited scope certification. In our opinion, it is unlikely that inexperienced auditors of employee benefit plans (those performing five or fewer employee benefit plan audits) will perform the additional procedures as written. Being a member of the AICPA Employee Benefit Plan Audit Quality Center provides auditors the opportunity to access vet)/ meaningful tools related to employee benefit plan audits. The AICPA Employee Benefit Plan Audit Quality Center has provided "Limited Scope Audits of Employee Benefit Plans" Plan Advisory, which describes the statutory and regulatory basis for the limited-scope audit exemption, what constitutes a proper certification from a qualified institution, the plan administrators responsibilities for determining the acceptability of a limited-scope certification, the auditors responsibilities for determining whether a certification can be relied upon to limit the scope of the audit, the limited-scope audit in the current environment, the effect of the limited-scope audit exemption on the scope of the independent auditors testing and reporting, and common deficiencies in limited-scope certifications. We believe that this tool provides greater detail than the proposed requirements	Noted

	We did not note any procedures missing. However, as described above, the tool issued by the AICPA Employee Benefit Plan Audit Quality Center ("Limited Scope Audits of Employee Benefit Plans" Plan Advisory) in 2016 provides sufficient information.	
Eisner (61)	We believe that the intended benefits of the Proposed SAS are unlikely to be achieved as the requirements outlined in ERISA, which are over 40 years old, are flawed and any attempt to revise auditing standards without considering such flaws is ineffective. Specifically with regard to the limited scope reference to "holding investments and executing investment transactions", imposing the requirements in the Proposed SAS without guidance to determine the institutions who actually perform such holding and executing, or if those terms are even accurate in the current financial industry, does not address the underlying issue of the outdated regulations of ERISA. Paragraph 20 of the Proposed SAS requires auditors to evaluate management's assessment of whether the entity issuing the certification is a qualified institution under Department of Labor ("DOL") regulations. Without clarity from the DOL about what "holding investments and executing investment transactions" means in the current financial services environment, it is our belief that such evaluation, as contemplated, is not possible.	Noted
H. Gluckman (65)	Supports NYSSCPA (37) letter: see response (37)	Noted
CLA (68)	We do not believe that the changes outlined in Paragraph 20 of the proposed SAS will achieve the objectives of enhancing execution and consistency of employee benefit plan audit engagements. The procedures in the proposed SAS are generally consistent with Paragraph 8.169 of the Guide, which is available to the public (including those auditors who are failing to comply with the current audit standards). We do not believe that requiring these procedures will change the behavior of the auditors who are not complying with current audit standards and the interpretive guidance included in the Guide. Under the proposed SAS, quality auditors will continue to comply with all applicable audit standards while the noncompliant auditors will not necessarily be any more inclined to comply with the new procedures than they were with the procedures	Noted. (see detailed comments to pars. 20 and 20b in appendix A to this document)

	currently presented in the Guide. We believe this may cause a negative response in the market, with plan sponsors choosing to engage noncompliant auditors.	
Ohio (76)	The committee did not have concerns about the audit procedures and generally found them consistent with the audit guide; however, it did not see a quality benefit of putting them in the standard versus continuing to maintain an update audit guide. Maintaining requirements in the audit guide eases the process of making updates and would increase consistency with the form of professional standards guidance across industries.	Noted.
NCCMP (102)	Under ERISA, the purpose of the audit of the financial statement of an employee benefit plan is to provide assurance on the financial soundness of the plan. However, ERISA does not require independent auditors to function as ERISA compliance auditors. ERISA section 103(a)(3) provides that the independent audit examination extends to "any financial statements of the plan, and of other books and records of the plan, as the accountant may deem necessary to form an opinion as to whether the financial statements and schedules... are presented fairly in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year...". The auditor's function, as prescribed by ERISA, is to ensure the financial statements are presented fairly in accordance with generally accepted accounting principles. There is absolutely no indication under the statute or the legislative history that it is the auditor's duty to review items beyond the financial statements in the Form 5500 or to determine a plan's compliance with ERISA. Legislative history is also clear that Congress limited the purpose of the audit to assessing the plan's financial soundness rather than to function as an ERISA compliance audit enforcing ERISA's legal requirements. (See Senate Report 93-127 (April 18, 1973), p. 28 published in Committee Print, Legislative History of the Employee Retirement Income Security Act of 1974, Public Law 93-406 ("Legislative History"), p. 614 (stating "[T]he annual report must include an opinion of an independent auditor based on the results of a required annual audit. Such information will allow better assessment of the plan's financial soundness by administrators and participants alike (the exemption for the books of financial institutions providing investment, insurance and related functions and subject to periodic examination by a	Noted

	government agency will prevent duplicative audit examinations by these institutions.")). It is important to note DOL has attempted to have Congress pass laws that would eliminate the limited scope audit and that would require notice to DOL of any "irregularity" discovered by the auditors that may have occurred in the plan. However, Congress declined to pass these laws. See e.g., "Pension Audit Improvement Act of 1995" (S.1490, 104th Cong., introduced Dec. 20, 1995). The NCCMP is opposed to provisions in the ED (e.g., ¶¶ 20.b-d further discussed in Section VII below) that could restrict ERISA's limited scope audit exception.	
Groom (105)	**The AU-C 703 Requirements Potentially Undermine the Limited Scope Audit Permitted by ERISA Section 103(a)(3)(C) and Regulations 2520.103-5 & 8** Congress established an exception to ERISA's general requirement that plans must obtain an independent accountant's opinion stating its financial statements and accompanying required schedules "are presented fairly in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year." ERISA Section 103(a)(3)(A). Attachment A sets forth statutory and regulatory excerpts providing for the Limited Scope Exception. (the "Limited Scope Exception") As noted in ERISA's legislative history, the purpose of the statutory exception was to prevent duplicative audits of financial institutions that are regulated by other government agencies. See Senate Report 93-127 (April 18, 1973), p. 28 published in Committee Print, Legislative History of the Employee Retirement Income Security Act of 1974, Public Law 93-406, p. 614 (noting "the exemption for the books of institutes providing investment, insurance and related functions and subject to periodic examination by a government agency will prevent duplicative audit examinations by these institutions.") This exception has been in place for decades and has worked to lower plan administrative costs, thereby increasing the money available to provide benefits to participants. While the 2010 ERISA Advisory Council examining the Limited Scope Exception concluded that it should be retained and caused no harm to participants, the Department of Labor	Noted. (see detailed comments (pars. 20b, 20c and 20d in appendix A to this document)

	and the AICPA historically advocated for the removal of the Limited Scope Exception.[6] Understanding why DOL wants Congress to repeal the Limited Scope Exception helps one to understand why AU-C 703 will potentially undermine that statutory exception. Simply put, DOL believes that the Limited Scope Exception does not adequately protect plan participants because it believes that the "fair market value" or "fair value" of some hard to value plan assets are not accurately reflected in the certifications provided by financial institutions and ultimately reported in the plan's financial statements and accompanying schedules included in the Form 5500. Despite the findings of the 2010 ERISA Advisory Council to the contrary, DOL believes that the Limited Scope Exception harms participants. As a result, DOL would like to eliminate the Limited Scope Exception and subject all of the plan's assets held by financial institutions to the plan's accountant's audit of the plan's financial statements. However, ERISA's statutory provisions and regulations permit the plan to instruct the accountant to exclude such hard to value assets from its audit with a qualifying financial institution's certification, and the regulations expressly provide that the information set forth in the financial institution's certification should be accepted as "true" by the auditor. ERISA Regulation 2520.103-5(d). Since Congress has refused to eliminate the Limited Scope Exception and DOL has not proposed changes to its regulations detailing the exception, it appears that the AICPA and DOL are trying to indirectly lessen the scope of the exception through the Proposed Changes and the proposed Form 5500 regulations, respectively. See 81 Fed. Reg. 47534 (July 21, 2016) (the "Proposed Form 5500"). The required procedures contained in Paragraph 20(b)-(d) of the Exposure Draft may restrict the Limited Scope Exception by potentially allowing CPA's to interpret the legal requirements that must be met under ERISA in order to allow a plan to utilize the exception. Whether the Limited Scope Exception should be repealed or constricted based on policy arguments is inconsequential to the analysis of whether the Proposed	

[6] ERISA Advisory Council, U.S. Dep't of Labor, *Employee Benefit Plan Auditing and Financial Reporting Models* (2010) ("ERISA Advisory Council Report"), http://www.dol.gov/ebsa/publications/2010ACreport2.html (noting that the "AICPA has supported the repeal of limited scope audits since 1978."); *See also*, the 2015 DOL Study (recommending that Congress adopt legislation amending ERISA to eliminate the Limited Scope Exception).

	Changes regarding the exception should be adopted by the AICPA. The law provides that the Limited Scope Exception is permissible. Until the law is changed by the government, it is inappropriate for the AICPA to construct a mechanism which could nullify or restrict the exception by adjusting the Audit Standards, regardless of whether the law should provide otherwise. There are at least four ways by which Paragraph 20 arguably could do just that. The first potential way AU-C 703, Paragraph 20(b) could undermine the Limited Scope Exception is by allowing the auditing accountant to make a legal judgment about "whether the entity issuing the certification is qualified under DOL rules." The Department of Labor's Office of Inspector General conducted its own study to determine whether the Employee Benefits Security Administration of DOL (the office responsible for administering ERISA) was doing enough to eliminate the Limited Scope Exception that the DOL perceives as a threat to plan participants.[7] It concluded that the DOL should issue regulations describing which financial institutions could qualify to provide the statutory certification. The 2014 OIG Report observed that ERISA Section 103(c)(3)(c) requires the certifying financial institution to be "regulated and supervised and subject to periodic examination by a State or Federal agency." The report asserts that federal and state banking and insurance regulatory agencies do not sufficiently examine financial institution's valuations of employee benefit plan assets to meet ERISA's statutory requirement permitting the Limited Scope Exception. As a consequence, the 2014 OIG Report suggests that the DOL should begin a regulatory process that would define the necessary level of periodic examination which would permit the exception. The implication being that the DOL OIG does not believe that banks and insurance companies currently providing certifications should meet that criteria. However, to date, DOL has not proposed such a regulatory change.	

[7] U.S. Dep't of Labor, Office of Inspector General, *Report to the Employee Benefits Security Administration – Limited-Scope Audits To Retirement Plan Participants*, September 30, 2014, Report Number 05-14-005-12-121, https://www.oig.dol.gov/public/reports/oa/2012/09-12-002-12-121.pdf ("2014 OIG Report")

ABA (96) –Comments to Specific Issues

Comments to Specific Issues within the Proposal

Defining "Hold" and "Execute" within the Limited Scope Audit

While the majority of EBPs hold assets that have readily-available fair values with straightforward servicing related to them, certain assets in some ERISA trusts are more complicated, requiring sub-custodians, or they may be invested in commingled funds, funds-of-funds, or funds organized into other similar structures. The Proposal clarifies that plan sponsors provide written representation to the auditor that the certification was received from a qualified institution meeting the requirements under ERISA, including the requirement that the institution both "holds the investments and executes investment transactions."

We appreciate the ASB's desire to provide clarification that management of the plan sponsor must determine whether the certifying institution "holds" the assets and "executes investment transactions" included in the certification. However, the meaning of these terms is unclear and therefore does not assist with this determination. This is because most securities and other assets no longer exist in physical form, but are instead reflected as "books and records" holdings with one or more central depositories, clearing corporations, sub-custodians, transfer agents, or similar entities. The depositories and clearing houses, like the Federal Reserve and Depository Trust and Clearing Corporation (DTCC), actually maintain the official record of the holdings. The banks reflect these holdings on their books.

Most custodians consider "holding" an asset to be equivalent to having "custody" of the asset. For non-physical assets, this generally means that the ownership of the asset is reflected through book-entry in the name of the trust for which the certifying entity serves as trustee, or in the name of the certifying entity itself (or its duly appointed nominee or other agent), acting on behalf of its customer(s). This includes assets the custodian "holds" with a domestic or foreign sub-custodian and/or depository (such as the Federal Reserve, in the case of U.S. government and agency securities held in book entry form) in an account that is identified as belonging to the custodian for the benefit of its customers. In other words, the essential element for "holding" an asset is generally understood as maintaining the evidence of ownership of the asset in the custodian's (or its duly appointed nominee's or other agent's) name, or in the name of the trust, for the benefit of one or more of its customers.

Recognizing that it is outside of the ASB's purview to establish legal interpretations of ERISA, it would nonetheless be useful for the ASB to affirm that, for purposes of management's determination, "holding the investments and executing investment transactions" includes the following scenarios, which are commonly recognized as constituting "custody" of an asset:

- Non-physical assets "held" in the following manner:

- As trustee, where title is in the name of the certifying entity as trustee for the plan. - As custodian, where title is in the name of the plan or trust.

  This also includes hedge funds and limited partnerships, where the issuer reflects the plan or trust as owner and the custodian is involved in numerous aspects of the investment activity, including payment for purchases and receipt of redemptions and other proceeds, processing of capital calls, and receipt of statements.

- Assets held by sub-custodians and/or depositories
- Assets for which the certifying entity's evidence of ownership can be established in accordance with standard industry practice and for which the certifying entity handles the settlement of funds associated with trading or other activity, such as:
  - Pooled separate accounts, guaranteed annuity contracts, or other insurance products.

  Further guidance should address when plan sponsors should expect that these investments would be covered by a separate certification from the insurance carrier, or whether they would meet the definition of "held" by the custodian, and, therefore, not need to be carved out of the custodian's certification.

  - Collateral held by the counterparty, agent bank securities lending arrangements, as well as third-party lending arrangements where the collateral and/or assets on loan may be held elsewhere.
  - Participant loans held within defined contribution plans, where the record-keeper maintains the official books and records of loans by participants.

The ASB as well as the DOL should clarify that so long as the certifying institution serves as primary or "master" custodian, the use of sub-custodian agents, nominees, depositories, and other forms of book-entry does not prevent management from making a determination that the investments are "held" by the certifying entity. Without clarifying this, plan sponsors are likely to get inconsistent responses from custodians about which assets are covered by their certification.

If the DOL or ASB considers the broader range of assets listed above as being "not held", and which therefore should be carved out or otherwise excluded from certification, custodians would have to make changes to the certified reports provided today, as well as to the process for certifying. This would require lead time in order to integrate the changes into custodian and auditor processes and, of course, likely result in additional cost that would be passed on to the plan sponsors.

These comments also apply to the DOL's proposed Form 5500 Modernization project, which requires custodians to flag or carve out assets that are not "held" or are not otherwise presented at fair value. We strongly encourage the ASB to collaborate with the DOL to bring more clarity to the definitions that are integral to driving consistency and completeness in certifications issued by qualified institutions. ABA members would welcome the opportunity to participate in a collaboration between the ASB and the DOL in this effort.

It may be helpful to consider how other regulatory entities have more specifically defined the manner in which assets are held. Any opportunity to align the understanding, and where appropriate the definitions, across regulators and required filings (such as FBAR filings), related to the manner held would be beneficial to plan sponsors, preparers, and users of financial and regulatory reports.

Bridging the Gap between "Complete & Accurate" Market Values and GAAP-Compliant Fair Value

ERISA requires certifying entities to certify to the "completeness" and "accuracy" of the investment-related information reported as part of their "ordinary business records", which has not traditionally extended to certifying to fair value (for reasons outlined below). Requiring banks that are holding ERISA assets to certify to completeness & accuracy of investment-related holdings and activity is entirely appropriate, given that settling trades, collecting income and other transactions, holding assets, securing prices and producing valuation reports are integral to the custodial functions performed by banks. These functions are reviewed by regulators and external auditors, and covered within SOC 1 examinations (Systems and Organization Controls report). Providing fair value estimates, however, falls well outside this scope.

Plan sponsors, nonetheless, are tasked with determining whether the certifications reflect the fair value. Within paragraph 22 of the Proposal, it is stated that the auditor should request various written representations from management, including:

> "when management imposes an ERISA-permitted audit scope limitation, acknowledgement that management is responsible for the financial statements, and for […] determining whether the certified investment information is appropriately measured, presented and disclosed in accordance with the applicable financial reporting framework."

While we believe the wording in the Proposal is technically appropriate, in context of the reliance on the custodian during a limited scope audit, it may lead a plan sponsor to expect certified information from a custodian to already have the characteristics of being "appropriately measured" according to the applicable financial reporting framework (e.g. all values represent fair value). This may not always be the case, as certain values supplied by the custodian may represent "best available" values that do not conform to the fair value definition. Further, some of the values (both fair values and best available values) may represent those estimated by thirdparty specialists hired by the plan sponsor.

While the bank exercises appropriate control over the safekeeping and reporting of plan assets, including the pricing of those assets, these standard custody functions are not designed nor intended as a substitute for the rigorous valuation processes and controls normally expected under FASB's fair valuation measurement standard. Without performing these steps, it would be inappropriate for custodians to certify to fair value.

Responsibilities of the Plan Sponsor Related to Fair Values

It is the plan sponsor's responsibility to determine whether the values provided by the custodian are measured at fair value and, if not, to adjust the values appropriately. With the advent of the fair value measurement and presentation guidance under Accounting Standards Codification (ASC) Topic 820, custodians have provided improved transparency and clarity around the basis of the prices reflected in the trust statements. This has enabled their custody clients (including plan sponsors) to make better judgements as to whether the valuation of any particular asset provided by the custodian is reflective of fair value. We support the proposed audit guidance that focuses on procedures to examine the extent to which the plan sponsor utilized the custodian's (or third-party's) pricing transparency reports to assess whether the certified investment information has appropriately reflected plan investments in accordance with the accounting framework.

For non-marketable securities, such as limited partnerships, hedge funds, and other commingled funds, FASB's guidance under Accounting Standards Update (ASU) 2009-12, ASU 2015-07, and ASU 2015-10 provides very specific practices on the considerations and analyses that should be performed by reporting entities in order to rely on net asset value (NAV) as a practical expedient for reporting fair value. These steps include determining whether the fund meets the definition of or has attributes of an investment company or follows accounting and reporting guidance within or consistent with ASC Topic 946, Financial Services —Investment Companies.

The depth of analysis and level of documentation to support the assertion that a fund NAV qualifies as the practical expedient is clearly outside the realm of a custodian's 'ordinary business records'. The practices set forth by FASB related to investments valued at NAV should be considered additive to the custodian's reporting of market values in the certified statement. In other words, the issuance of a certification is not a replacement for performing these steps. Only after performing the procedures to determine whether the fund prices qualify as the practical expedient would the plan sponsor be in a position to determine whether the values certified by the custodian were appropriately measured.

We recommend that the final standard reiterate that these steps are expected to be performed by the reporting entity (the plan sponsor in this case), whether the plan is subject to a full scope or a limited scope audit.

Auditor's Role in Addressing the Inherent Gap in the ERISA Language

We recognize that the ASB must work within the constraints of the statutes, and cannot proffer a legal interpretation, nor an expansion of the ERISA language related to the clauses that describe the certifying entity's responsibility. To the extent that the final standard does not or cannot change the current mandate to provide certification to the "completeness and accuracy" of the investment data reported by the custodian, the burden will continue to lie with the plan sponsor to determine whether the certification is sufficient.

However, it is less clear in the Proposal as to what steps the auditor is expected to perform over the plan sponsor's valuation process in a limited scope scenario. Beyond simply receiving management's written representation, it would be helpful if the final standard includes specific audit steps intended to gain assurance that management has satisfactorily performed the steps needed to present fair value in accordance with GAAP.

Depending on the how the final standard clarifies certification carve-outs, as well as the audit of the plan sponsor's valuation procedures related to fair value measurement that are not covered by the certification, significant additional work could be required of the custodian, plan sponsor, and the auditor. This could be a significant cost-benefit issue that may warrant additional consideration.

APPENDIX A — Comments by Paragraph (Paragraphs 20-21– Limited scope procedures)

Paragraph No.	Commenter	Comment	Response to Comment
Procedures When ERISA-Permitted Audit Scope Limitation is Imposed (pars. 20-21)			
20	MOCPA (49)	However, the description of "noninvestment-related information" within paragraph 20 does not provide enough guidance to describe the procedures required to meet acceptable audit quality standards. The "application and other explanatory material" within paragraph A43 does provide very limited examples of what would be considered noninvestment-related information. However, this list is not complete and would be better referenced back to the more detailed procedures included within paragraphs 14-17 of the proposed audit standard.	TF believes the guidance is sufficient as drafted. TF added par 21 that refers back to paragraph 15.
20	CLA (68)	Paragraph 20 of the current proposed SAS does not address notes receivable from participants. The proposed SAS refers to "investment information," which would not encompass notes receivable from participants because such a receivable is not an investment, but rather is a receivable under ASC 962-31045-2. Therefore, we recommend that the paragraph address notes receivable from participants and how the opinion should be modified if notes receivable from participants are covered by the certification. Furthermore, since this proposed SAS is being issued to enhance execution and consistency in these engagements, we recommend the proposed SAS include procedures auditors should perform related to notes receivable from participants when they are properly covered by the certification.	TF believes notes receivable should be addressed in the AAG and not the proposed SAS

20-21	DT (80)	Paragraph 6 of the proposed SAS refers to "assets held for investment of the plan prepared and certified by a bank or similar institution or an insurance carrier … ." D&T acknowledges that the DOL has never defined the term "held/hold" for investment; however, it is our view that the proposed SAS uses the underlying concepts of "hold" and "custody" interchangeably (although "custody" is not explicitly referred to in the proposed SAS). Determining whether assets are being held for investment is a legal interpretation and beyond the scope of the auditor's engagement. However, in order to comply with the requirements in paragraphs 20 and 21, we believe that there should be application material to address what is intended when a qualifying institution "holds" investments.	TF believes this is an interpretation of regulations and should not be done by the proposed SAS
20-21	DT (80)	Procedures When ERISA-Permitted Audit Scope Limitation is Imposed (paragraphs 20 and 21, and related application material) The following edits are recommended to address the matters noted in Appendix A—Issue 1, as well as other considerations identified by D&T relevant to this section in the proposed SAS: Paragraph 20 When performing procedures related to information not covered by the certification, the auditor does so based on the identified and assessed risks of material misstatement. We believe the wording should be amended to reflect the basis for designing and performing further audit procedures as required by paragraph 26 of AU-C 315. We also propose edits to paragraph 20a of the proposed SAS to address the issues relating to the qualified institution preparing and certifying the statement relating to investment information (Refer to Appendix A—Issue 1 and Appendix B—*Assets Held for Investment and Written Representations* for further discussion).	Task force does not believe "identified" is needed Added "and certifying"

		D&T believes that the evaluation as outlined in paragraph 20b of the proposed SAS relating to whether the certification is transmitted by the appropriate qualified institution should be based on management's assertion, and not management's assessment (refer to Appendix A—Issue 1 for further discussion). We believe the reference to "entity" in paragraph 20b of the proposed SAS should be more closely aligned with the terminology already used in paragraph 6 of the proposed SAS, as well as in the management-imposed ERISA-permitted audit scope limitation auditor's report—refer to paragraph 94a of the proposed SAS. In addition, the edits are proposed to align the wording in the required procedures in paragraphs 20a–d, with the language in the reporting elements as described in paragraph 102 of the proposed SAS. 20. When management imposes an ERISA-permitted **audit** scope limitation ~~on the audit~~, the auditor should perform audit procedures on the information not covered by the certification, including noninvestment-related information and investment information not covered by the certification, based on the **identified and** assessed risk of material misstatement. Plans may hold investments, only a portion of which are covered by a certification by a qualified institution. In that case, the auditor should perform auditing procedures on the investment information that has not been properly certified. The auditor should also perform the following procedures on the certified investment information: (Ref. par. A42-A43 **and A43A**) a. obtain from management and read the certification**,** ~~particularly~~ as it relates to investment ~~related~~ information**,** prepared **and certified** by a qualified institution; (Ref. par. A44~~-A45~~) b. evaluat**e**~~ing~~ management's **assertion**~~assessment~~ of whether the **bank or similar institution or insurance carrier**~~entity~~ **preparing and certifying the statement relating to investment information, and transmitting such statement** ~~issuing the certification~~ is **the**~~a~~	Changed to inquiry Task force moving away from using "audit scope limitation" TF does not believe "identified" is needed. Added "and certified"

		appropriate qualified institution under **ERISA** ~~DOL rules and regulations~~;**(Ref. par. A45A** – **A45B)** c. compare the certified investment information with the related information **presented and disclosed**~~included~~ in the ERISA plan financial statements ~~and related disclosures~~; (Ref. par. A46) d. evaluate whether the form and content of the ~~ERISA plan financial statement disclosures related to the~~ **certified investment** information **presented and disclosed in the ERISA plan financial statements** ~~prepared and certified by a qualified institution are~~ **is** in accordance with the applicable financial reporting framework. (Ref. par. A47-A48)	Changed to inquiry Changes made to "presented and disclosed" Removed d.
20a	Legacy (5)	20a. We suggest that this procedure or related explanatory material include a step requiring the auditor to evaluate whether the certification itself is in compliance with the statutory regulation that allows the scope limitation. Key certification requirements are described in A7; however, we believe that the auditor should also ensure that the certification is signed by an authorized person of the certifying financial institution.	Task force believes the auditor's responsibilities are to obtain and read the certification. Management has responsibility to determine that the certification is appropriate
20a	Freyberg (17)	20a. We suggest that this procedure or relaxed explanatory material include a step requiring the auditor to evaluate whether the certification itself is in compliance with the statutory regulation that allows the scope limitation. Key certification requirements are described in A7; however, we believe that the auditor should also ensure that the certification is signed by an authorized person of the certifying financial institution.	Task force believes the auditor's responsibilities are to obtain and read the certification. Management has responsibility to determine that the certification is appropriate
20a	LC&T (19)	20a. We suggest that this procedure or relaxed explanatory material include a step requiring the auditor to evaluate whether the certification itself is in compliance with the statutory regulation that allows the scope limitation.	Task force believes the auditor's responsibilities are to obtain and read the

		Key certification requirements are described in A7; however, we believe that the auditor should also ensure that the certification is signed by an authorized person of the certifying financial institution.	certification. Management has responsibility to determine that the certification is appropriate
20a	Purk (24)	20a. We suggest that this procedure or relaxed explanatory material include a step requiring the auditor to evaluate whether the certification itself is in compliance with the statutory regulation that allows the scope limitation. Key certification requirements are described in A7; however, we believe that the auditor should also ensure that the certification is signed by an authorized person of the certifying financial institution.	Task force believes the auditor's responsibilities are to obtain and read the certification. Management has responsibility to determine that the certification is appropriate
20a	BFB (56)	20a. We suggest that this procedure or relaxed explanatory material include a step requiring the auditor to evaluate whether the certification itself is in compliance with the statutory regulation that allows the scope limitation. Key certification requirements are described in A7; however, we believe that the auditor should also ensure that the certification is signed by an authorized person of the certifying financial institution.	Task force believes the auditor's responsibilities are to obtain and read the certification. Management has responsibility to determine that the certification is appropriate
20a	Hemming (71)	We suggest that this procedure or relaxed explanatory material include a step requiring the auditor to evaluate whether the certification itself is in compliance with the statutory regulation that allows the scope limitation. Key certification requirements are described in A7; however, we believe that the auditor should also ensure that the certification is signed by an authorized person of the certifying financial institution.	Task force believes the auditor's responsibilities are to obtain and read the certification. Management has responsibility to determine that the certification is appropriate
20a	Calibre (90)	20a. We believe that paragraph 20A should also include a procedure that requires the auditor to evaluate whether the certification itself is in compliance with the statutory regulation that allows the scope limitation. Key certification requirements are described in A7; however, we believe	Task force believes the auditor's responsibilities are to obtain and read the certification. Management

		that the auditor should include ensuring that the certification is signed by an authorized person of the certifying financial institution.	has responsibility to determine that the certification is appropriate
20b	Legacy (5)	We suggest that the auditor evaluate management's ***assertion that*** (and not assessment of whether) the entity issuing the certification is a qualified instition.	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.
20b	TIC (15)	Paragraph 20(b) indicates auditors should evaluate management's assessment of whether the entity issuing the certification is a qualified institution under DOL rules and regulations. From TIC's experience with auditing these plans, many plan sponsors would not have background to make this assessment. TIC would request that some implementation guide, perhaps in the form of a Technical Practice Aid, be developed for plan sponsors in this assessment, since it should be a fairly consistent methodology, with specific examples included to assist plan sponsors in making this assessment. The examples could be focused on which entities may not be able to provide the certification.	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.
20b	Freyberg (17)	20b. We suggest that the auditor evaluate management's assertion that (and not assessment of whether) the entity issuing the certification is a qualified institution.	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.
20b	LC&T (19)	20b. We suggest that the auditor evaluate management's assertion that (and not assessment of whether) the entity issuing the certification is a qualified institution.	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.

20b	BB (22)	We have experienced increased instances of questionable or inappropriate certifications from qualified institutions. Paragraph 20b would be improved by providing other explanatory material that describes the requirements of the certifying institution, the authorized signor, the assets covered by the certification and the certification language.	TF believes this information should be provided by the DOL
20b	Purk (24)	20b. We suggest that the auditor evaluate management's assertion that (and not assessment of whether) the entity issuing the certification is a qualified institution	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.
20b	EY (53)	Paragraph 20b — Inquire of management how it assessed ~~evaluate management's assessment of whether~~ that the entity issuing the certification is a qualified institution and that the certified investment information is complete and accurate ~~under DOL rules and regulations~~	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.
20b	BFB (56)	20b. We suggest that the auditor evaluate management's assertion that (and not assessment of whether) the entity issuing the certification is a qualified institution.	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.
20b	BDO (57)	We suggest that certain procedures in paragraph 20 be made more descriptive to avoid vague terminology and inconsistencies in practice. For example, in paragraph 20(b), the procedure states the auditor is to "evaluate," which may be misunderstood and result in inconsistent application. In this particular instance, we propose using more specific terminology, such as "inquire" or "inspect."	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.

20b	CLA (68)	The procedures in paragraph 20(b) should address the auditor's responsibility to ensure that the certification is properly signed. 29 CFR 2520.103-5 requires the certification be in writing and signed by a person authorized to represent the qualified institution.	TF believes this would entail legal determinations that go beyond the auditor's responsibilities
20b	Hemming (71)	We suggest that the auditor evaluate management's assertion that (and not assessment of whether) the entity issuing the certification is a qualified institution.	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.
20b	DT (80)	As it pertains to paragraph 20b of the proposed SAS, D&T believes that management should also assert that the appropriate bank or similar institution or insurance carrier is preparing and certifying the statement relating to investment information, as well as transmitting that statement to the plan administrator. By doing so, the responsibility is on management to make the determination as to whether the appropriate bank or similar institution or insurance carrier is in a position to make the certification. Likewise the written representation requested from management in paragraph 22d(b) should refer to the statement that is both prepared and certified by the appropriate qualified institution. This will also ensure that management is aware of their responsibilities as it relates to certification in accordance with 29 CFR 2520.103-5 and 29 CFR 2520.103-8, including understanding the following: ● Whether the third-party that holds (or has custody of) assets for investment, is an appropriate bank or similar institution or insurance carrier preparing and certifying the statement relating to investment information. ● Whether the appropriate bank or similar institution or insurance carrier preparing and certifying the statement relating to investment information, actually holds (or has custody of) the assets for investment.	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.

		● If the statement relating to investment information is transmitted by a third-party other than the appropriate qualified institution holding the investments, that such third-party is authorized to represent the qualified institution. D&T recommends that this issue be clarified by highlighting in paragraphs 12d(b), 20b and 22d(b) of the proposed SAS (related to management's responsibilities, assertion and written representations, respectively) that it is the certification transmitted by the "appropriate qualified institution" that is relevant when the auditor performs the required procedures when the ERISA-permitted audit scope limitation is imposed. This would also impact the related reporting elements – refer to paragraphs 96a*i* and 102b of the proposed SAS. We believe this is an area that may result in confusion and inconsistency in application. We do note that there are differences in the requirement paragraphs of the proposed SAS when comparing management's responsibility (paragraph 12d(b) of the proposed SAS), management's written representation (paragraph 22d(b) of the proposed SAS) and management's responsibility as stated in the auditor's report (paragraph 96a*i* of the proposed SAS) to the procedures performed by the auditor to evaluate management's assertion (paragraph 20b of the proposed SAS) and the auditor's responsibility as stated in the auditor's report (paragraph 102b of the proposed SAS). D&T believes the edits proposed in Appendix C are appropriate and address the inconsistencies, while also taking into consideration the wording in 29 CFR 2520.103-5 and 29 CFR 2520.103-8.	
20b	Calibre (90)	For paragraph 20B we suggest including that the auditor should evaluate management's assertion that (and not an assessment of whether) the entity issuing the certification is a qualified financial institution.	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.

20b	Crowe (91)	Paragraph 20(b) Paragraph 20(b) states that the auditor "should evaluate management's assessment of whether the entity issuing the certification is a qualified institution under DOL rules and regulations." Given the subjective nature of the term "evaluate", we would recommend adding application guidance to paragraph 20(b) similar to the application guidance provided for paragraph 20(d) in A48.	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.
20b	Groom (105)	In light of the 2014 OIG Report, one must ask whether Paragraph 20(b) would permit the auditing accountant to decide that a bank or insurance company's certification is not effective because the financial institution did not sufficiently meet the statutory requirement that it be "subject to periodic examination by a State or Federal agency"? As the OIG's Report highlights, the procedure required by Paragraph 20(b) inherently involves a legal analysis subject to regulations that the DOL is considering changing. Hence, it is inappropriate for the Audit Standards to require a CPA to make that legal conclusion, especially considering the shifting legal analysis and regulatory changes proposed in the 2014 OIG's Report. The second potential way the Exposure Draft could undermine the Limited Scope Exception also involves Paragraph 20(b)'s requirement that the CPA determine whether the entity issuing the certification is qualified under the DOL ERISA regulations. Rather than making a determination about the degree to which the financial institution is subject to the necessary regulatory examinations, this issue turns on whether the certifying financial institution "holds plan assets" as required by ERISA Reg. 2520.103-5(a) & (b)(2). This issue is also addressed in the Proposed Form 5500. There, the Department proposes that the custodian bank identify the "manner" in which the asset is held. In this situation, the accountant could determine that different types of investments are not "held" by the custodial bank (e.g., assets held by sub custodians, hedge funds, or limited partnerships)	Procedure revised to inquire of management how they determined the entity issuing the certification is qualified.

		even though the bank maintains evidence of ownership of the asset, handles investment activity involving the asset, and such assets are commonly certified by custodial banks consistent with standard industry practice. Such a decision by the CPA would, contrary to the broad coverage afforded by the statute, restrict the types of assets which a qualifying financial institution could certify. The Department is midstream in its Form 5500 rulemaking on this topic, and the legal analysis is unclear and in-flux. Thus, We urge the ASB to withdraw this requirement because it requires a complex legal analysis that is currently the subject of rulemaking by the Department.	
20c	PlanteM (32)	Paragraph 20c indicates that the certified investment information should be compared to the related information included in the ERISA plan financial statements and related disclosures. In our experience, the certification of investment information includes detail of investments, period-end value, and investment income. However, the certification does not cover other investment information required to be disclosed, such as classification of the type of investment (mutual fund, common collective trust fund, etc.), leveling of the investments, and investment valuation methodology. We believe this has led to confusion for auditors, preparers, and users of the financial statements about what exactly is certified and it has created diversity in practice as to the nature and extent of procedures performed on the uncertified investment information included in financial statement disclosures. We believe clarification about auditors' responsibilities related to uncertified investment information included in financial statement disclosures is necessary. We also believe clarification is needed about how this uncertified information affects the auditor's report. We understand that Paragraph A46 of the proposed SAS indicates that if investment information in the financial statements, disclosures and schedules cannot be agreed to or derived from the certified information,	TF believes guidance relating to the non-certified information should be addressed in the AAG

		appropriate audit procedures need to be performed. However, we feel further clarification and guidance about this issue is warranted to improve execution and consistency.	
20c	EY (53)	We recommend the following edits to paragraph 20c (with corresponding edits to the language in the auditor's report) to reference the supplemental schedules. Paragraph 20c — Comparing the certified investment information with the related information presented and disclosed in the financial statements and supplemental schedules	Change made
20c	Groom (105)	The third potential way the Proposed Changes could restrict the Limited Scope Exception is found in Paragraph 20(c). That provision requires that the CPA auditing a plan's financial statement "compare the certified investment information with the related information in the ERISA plan financial statements and related disclosures." While a review of the reported values of the assets as set forth in the certification against the values reported in the plan's financial statements seems an obvious point of comparison, it is unclear to Us whether the referenced "related information" includes other types of data or information. If so, is the review of the other "related information" meant to test or verify the veracity of the values reported in the financial institutions certification? If so, that audit function would contradict the ERISA regulatory requirement that the information reported in the certification should be accepted as "true" and the provision should be removed.	Noted. See edits made to 20c.
20d	PlanteM (32)	Paragraph 20d says "evaluate whether the form and content of the ERISA plan financial statement disclosures related to the information prepared and certified by a qualified institution are in accordance with the applicable financial reporting framework." We've found that the certified information sometimes requires adjustment by management in order to be in accordance with the applicable financial reporting framework. For example,	Par 20d removed

		investment assets valued at off year end dates, or investments recorded at cost by the certifying entity when the financial framework requires fair value. We believe there is currently diversity in practice as to whether these adjusted values are included as certified in the limited scope audit opinion and as to the extent of audit procedures performed related to these investments. We recommend further guidance be provided specifically related to the auditor's responsibility with respect to these adjustments and how this information should be reported in the auditor's opinion.	
20d	KPMG (46)	While we acknowledge that paragraph .20(d) is similar to existing guidance, we do not believe that the auditor should be responsible for evaluating the form and content of the certified investment disclosures or inspecting supporting documentation for the types of investments held by the plan when not auditing the information and underlying transactions. Further, from experience, we believe there is significant diversity in practice with regard to the certified information that the Proposed Standard should directly address. Some auditors believe that the conclusion may be achieved by reading the financial statements for apparent inconsistencies or errors and omissions. Others may believe they have to obtain evidence, for example, in support of the fair value hierachy disclosures. Regardless, if the balances and transactions are not audited, we believe the auditor does not have a basis to report on form and content. The auditor's responsibility should be limited to inquiries of mangement to understand the nature of the investments and the related disclosures because if not performing audit procedures on account balances or classes of transactions, there will be insufficient evidence to conclude on the form and content of disclosures. We suggest the following modification to paragarph 20(d): <u>Read the certified information included in the financial statements and disclosures for purposes of considering whether the financial statements are appropriate in form and free from obvious material misstatements based on an understanding, through inquiry of</u>	TF recommends removing paragraph 20d and related application material in par. A47-A48 from the proposed SAS

		management, the types of investments held by the ERISA plan and how it assessed that ~~evaluate whether the form and content of~~ the ERISA plan financial statement disclosures related to the information prepared and certified by a qualified institution are in accordance with the applicable financial reporting framework.	
20d	EY (53)	Paragraph 20d — Delete this requirement If the ASB decides to retain paragraph 20d, we recommend clarifying that the auditor is not responsible for evaluating the form and content of the financial statement disclosures. The auditor is required only to evaluate whether the financial statement disclosures comply with the requirements of the applicable financial reporting framework. Furthermore, the auditor's responsibilities should be limited to inquiries of management to understand the nature of the investments held and the related disclosures. The auditor should not be responsible for evaluating the financial statement disclosures or inspecting supporting documentation.	TF recommends removing paragraph 20d and related application material in par. A47-A48 from the proposed SAS
20d	BDO (57)	we are concerned that the requirement in paragraph 20(d) to evaluate the form and content of disclosures mandates a higher level of responsibility for EBP auditors than auditors in other assurance engagements[8]. Our preference is that this requirement be removed; however, if the ASB decides to retain this requirement, we ask that "evaluate" be replaced with wording more consistent with the wording found in paragraph A48 (which reads "obtain an understanding," "inquire of management," "consider the appropriateness"). Such clarification would facilitate more consistent auditor application. Please note that our comments noted here would also need to be considered in conjunction with the auditor's report wording discussed in paragraph 102.	TF recommends removing paragraph 20d and related application material in par. A47-A48 from the proposed SAS

[8] We understand the ASB has a project focused on disclosures and we suggest aligning any requirements relating to disclosures with the results of that project.

20d	LBMC (93)	We are concerned that there will be confusion among practitioners regarding the evaluation of the form and content of the financial statement disclosures required by Paragraph 20(d). As noted in the Audit Guide in Paragraph 2.23, the limited scope audit exemption does not extend to required financial statement disclosures. The confusion exists because the practitioner has to perform audit procedures on investments to support the financial statement disclosures, but the limited scope exemption instructs them not to audit investments. We suggest that the ASB clarify the auditor's responsibility related to investment disclosures to remove this confusion.	TF recommends removing paragraph 20d and related application material in par. A47-A48 from the proposed SAS
20d	Groom (105)	Finally, the fourth potential way the Proposed Changes could restrict the Limited Scope Exception is found in Paragraph 20(d). That provision requires the CPA to "[e]valuate whether the form and content of the ERISA plan financial statement disclosures related to the information prepared and certified are in accordance with the applicable financial reporting framework." If the "applicable financial reporting framework" is intended to require that the asset values certified by the financial institution are "current value", then the procedure immediately calls into question the "truth" of the entire financial certification, which would be contrary to ERISA Regulation 2520-103(d). This is because financial institutions do not generally, and in some cases cannot, determine that the asset values to which they certify are "current value", i.e., "fair market value where available and otherwise the fair value as determined in good faith . . . assuming an orderly liquidation at the time of such determination." ERISA Section 3(26). Such a determination would obviate the entire Limited Scope Exception because it would cause the plan's auditor to require additional procedures reviewing the investments held and certified to by a financial institution. And, that is exactly what the Limited Scope Exception is intended to avoid in the first place. While it may be appropriate to say that these determinations should be made by the plan's fiduciaries, it is not the role Congress intended for the CPA auditing the plan's financial	TF recommends removing paragraph 20d and related application material in par. A47-A48 from the proposed SAS

		statements which exclude the investments to which the financial institution certified are complete and accurate	
21	KPMG (46)	The requirement in paragraph 21, based on paragraph 8.170 of the Guide, has contributed to the inconsistent auditor response to certified information as it lacks specificity as to both the rationale for why the auditor has a responsibility for the completeness, accuracy, or otherwise satisfactory nature of the certification, and if we assume there is such responsibility, what is the appropriate audit response. We believe that, at a minimum, application material similar to guidance in paragraphs 8.170-8.174 of the Guide is needed. Additional application material should be developed to include topics such as revision of engagement letters and revision of risk assessment procedures.	Application material added to the proposed SAS.
21	EY (53)	Lastly, paragraph 21 provides guidance when the auditor becomes aware that the certified investment information is incomplete, inaccurate or otherwise unsatisfactory. We believe application guidance should be added to paragraph 21 to clarify that the ERISA-permitted audit scope limitation may no longer be appropriate unless management is able to obtain a revised or amended certification from a qualified institution. The ASB can look to the guidance in paragraphs 8.170–8.174 of the Guide.	Additional application material added (see new paragraphs A47-A51)
21	DT (80)	<u>Paragraph 21 and paragraph A49A (new)</u> D&T does not believe that inquiry is the only alternative when the certified investment information is incomplete, inaccurate, or otherwise unsatisfactory. Furthermore, it is unclear as to the purpose of the inquiry. Instead, the auditor should perform additional procedures to determine the appropriate course of action. These additional procedures may result in a modification to the auditor's opinion, and as such should be appropriately included as application material. We recommend the following edits to paragraph 21, as well as the addition of a new guidance of paragraph A49A.	Changes made to par 21 and application material added.

		21. If, as part of the audit procedures performed, the auditor becomes aware that the certified investment information is incomplete, inaccurate, or otherwise unsatisfactory, the auditor should perform ~~further~~ ~~inquiry, which might result in~~ additional ~~audit~~ procedures **to determine the appropriate course of action** ~~or modification to the auditor's opinion in accordance with AU-C section 705~~. **(Ref. par. A49A)** **A49A. The additional procedures may result in a modification to the auditor's opinion in accordance with AU-C section 705.**	
A42	EY (53)	We also recommend the following edits to the application guidance for paragraph 20: ● Last sentence of paragraph A42 — Unlike other scope limitations, when the scope of the audit is limited as permitted by ERISA, the auditor is required to perform certain ~~audit~~ procedures on the certified investment information even though the scope of the audit is limited.	Removed "audit"
A45	EY (53)	● Paragraph A45 — ~~Although the certification provides audit evidence, it does not provide sufficient appropriate audit evidence on its own. Rather, it~~ The certification is considered ~~part of audit evidence relating to the certified investment information~~ when determining whether the form of opinion required by paragraph 30 can be used.	The task force is not proposing changes to this application material because the audit report wording has changed.
A47-A48	EY	● Paragraph A47 — Move the first sentence to application guidance for paragraph 20a and delete the second sentence.	TF recommends removing paragraph 20d and related application material in par. A47-A48 from the proposed SAS

		• Paragraph A48 — Delete this application guidance since the auditor would not provide reasonable assurance on disclosures relating to the certified investment information. In addition, because the auditor would no longer disclaim an opinion for these types of audits, we believe the certified investment information in the audited financial statements should be labeled "unaudited" to make it clear that the auditor did not audit such amounts or disclosures. We recommend that the ASB instruct the EBP Audit Guide Revisions Task Force to clarify this in the Guide.	The task force believes the auditing standards cannot not prescribe how an item on the financial statements is categorized.