September 18, 2018

New Employee Benefit Plan Auditing Standard Now Final

AUDIT, ERISA
BY SCHNEIDER DOWNS PROFESSIONAL

After years of debate, deliberation and revision, it appears the Auditing Standards Board (ASB) is finally set to issue Statement on Auditing Standards (SAS) *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA* as a final standard. The ASB has not yet announced when the final standard will be available nor has it determined the effective date.

The following are a few of the significant provisions that are included in the final standard:

- An audit performed in accordance with ERISA section 103(a)(3)(C) will no longer be referred to as a "limited scope audit." Instead, a limited scope audit will be referred to an “ERISA section 103(a)(3)(C) audit.” The ASB believes this provides for better distinction from an audit where a scope limitation is imposed.
- Auditors will now be required to make inquiries of management on how they determined that the institution issuing the investment certification is qualified to do so.
- The auditor’s reports under an ERISA section 103(a)(3)(C) will provide a two-pronged opinion based on the audit and on the procedures performed relating to the certification. The report will provide an opinion on whether information not covered by the certification is presented fairly, and an opinion on whether the certified investment information in the financial statements agrees to or is derived from the certification.

Additionally, the proposed auditing standard would have required auditors to perform procedures on specific plan provisions regardless of their assessment of risk as well as include the findings in their auditor’s report. Neither provision was included in the final standard.

As audit requirements become more and more stringent, it is more important than ever that plan sponsors hire a quality audit firm to perform their employee benefit plan audit. Not only does an audit help the plan sponsor carry out its fiduciary responsibility with filing a complete and accurate Form 5500, but an audit may also be useful in identifying operational errors or internal control weaknesses. What are the consequences of not having a quality audit performed? - possible rejection of plan filings by the Department of Labor and fines up to $1,100 per day on deficient filings. Is that a risk worth taking?

You’ve heard our thoughts… We’d like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're especially interested in what you may have to say. If you have a question or a comment about this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at contactSD@schneiderdowns.com.

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.