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Darrel Schubert, Chair, Employee Benefit Plan Reporting Task Force
American Institute of Certified Public Accountants
1211 Avenue of the Americas
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Transmitted via email to sherry.hazel@aicpa-cima.com

Re: Comments to Exposure Draft AU-C Section 703 Proposed Statement on Auditing Standards – Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA

Dear Gentlemen,

The National Coordinating Committee for Multiemployer Plans is pleased to comment on the American Institute of Certified Public Accountants, Inc.'s Auditing Standards Board's (the "AICPA" or "ASB") Exposure Draft AU-C Section 703, Proposed Statement on Auditing Standards – Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA (the "ED", "AU-C 703"). While the NCCMP applauds the AICPA's goal of improving the quality of accounting audits of employee benefit plan financial statements, we do not believe that the proposed changes to the Statements on Accounting Standards propagated by the AICPA (the "Accounting Standards") will accomplish that goal. Nonetheless, please understand that our comments below are not meant to call into question our belief that the AICPA's and the Department of Labor's goal is to protect the interest of the plans' participants and beneficiaries by improving the quality of plan audits.

The NCCMP is the only national organization devoted to protecting the interests of the more than 20 million active and retired American workers and their families who rely on multiemployer retirement and welfare plans. The NCCMP's purpose is to assure an environment in which multiemployer plans can continue their vital role in providing retirement, health, training, and other benefits to working men and women who are employed by small and large businesses across the country.

The NCCMP is a non-partisan, nonprofit, tax-exempt social welfare organization with members, plans, and contributing employers in every major segment of the multiemployer universe. Those segments include the airline, agriculture, building and

construction, bakery and confectionery, entertainment, health care, hospitality, longshore, manufacturing, mining, office employee, retail food, service, steel, and trucking industries. Multiemployer plans are jointly trusted by management and labor trustees.

A short summary of the topics and concerns addressed in this letter is as follows:

1. The required procedures in ¶¶ 15, 16, and 20 and the reporting of findings required in ¶¶ 119-124 will not increase the quality of audits because those auditors that already ignore the extensive AICPA guidance interpreting the existing Accounting Standards will not change their behavior based on the consolidation of those standards as set forth and the already existing guidance;
2. The required procedures in ¶¶ 15-16 and the reporting of findings in the financial statements without regard to materiality as set forth in ¶¶ 119-124 will have the unintended consequences of causing increases in plan administrative costs and the chance of counterproductive and unwarranted litigation while at the same time increasing confusion among participants, contributing employers, plan sponsors, and other users of a multiemployer plan's financial statements;
3. The required procedures in ¶¶ 15, 16 and 20 and the reporting of findings in the financial statements without regard to materiality as set forth in ¶¶ 119-124 will result in plan "compliance audits" which exceed the accountant's role prescribed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA");
4. The ED should be withdrawn and re-proposed after the Department of Labor's ("DOL" or the "Department") 2016 proposed changes to the regulations and forms related to the Form 5500 are finalized. 81 Fed. Reg. 47534 (July 21, 2016); 81 Fed. Reg. 47496 (July 21, 2016) (collectively, "Proposed Form 5500 Changes") because it is difficult to comment on the interaction between the two proposals, and the requirements proposed in the ED may be moot if the Form 5500 Proposed Changes are finalized in their current form;
5. The requirements regarding Form 5500 procedures contained in ¶¶ 36-48 will result in practical administrative difficulties and increased administrative costs;
6. The ED requires that accountants make legal assessments beyond the scope of their expertise in order to complete an audit, and it is not appropriate to necessitate a reliance on plan counsel under the AICPA-ABA 1975 "Treaty" regarding communications between the auditor and counsel. The plan's auditing CPA should not substitute its judgment for plan management's judgment which has the benefit of advice from plan counsel;

7. The scope of the ED's requirements should not include apprenticeship and training plans since the required procedures set forth in ¶¶ 15-16 are generally not applicable to them, and such plans are generally exempt from reporting on the Form 5500; and
8. The ASB should consider other alternatives to the requirements set forth in the ED, including an increase in required professional education, improved peer review procedures, and required membership in the Employee Benefit Plan Audit Quality Center.

For the ease of review and clarity, our comments are arranged by topic with reference to some specific paragraphs in the ED. However, we note that many of the paragraphs in the ED build upon each other. In addition, the ED does not clearly note which portions of the newly created Section 703 come from or are modifications of other existing sections of the Accounting Standards (e.g., from portions of AU-C Sections 800, 730, 725, 720, 708, 706, 705, 700, and 260). Similarly, the ED does not indicate which portions of the new Section 703's terms, concepts, or specific provisions originate from the AICPA's existing interpretative guidance contained in its 830 page Audit & Accounting Guide for Employee Benefit Plans (the "Audit Guidelines"). Without a meaningful comparison, it is difficult to assess which paragraphs or other guidance are interrelated with or dependent upon a particular paragraph in the ED. Thus, we ask that our comments be applied across other AUC-C703 paragraphs that are connected or dependent upon a particular ED paragraph specifically cited in our comments.

I. The ED Will Not Achieve the Goal of Increasing the Quality of Plan Audits

We do not believe that the ED's proposed changes to the Accounting Standards will increase the quality of plan audits because plan auditing failures are largely caused by auditors who already do not consider AICPA guidance. The DOL's Employee Benefits Security Administration, Office of the Chief Accountant's May 2015 report *Assessing the Quality of Employee Benefit Plan Audits* (the "DOL Audit Report") concluded that "CPAs failed to comply with professional standards either because they were not adequately informed about employee benefit plan audits, or failed to properly utilize the technical materials that were in their possession." *Nowhere* in the DOL Audit Report did the Department determine or recommend that the Accounting Standards were unclear or needed to be changed. Instead, it concluded that plan audit deficiencies are largely caused by a failure to utilize the Accounting Standards and Audit Guidelines already in place. Thus, it stands to reason and based on the DOL Audit Report's conclusions, that the adoption of a new Section 703 of the Accounting Standards will not solve the problem of plan audit deficiencies brought on by auditors that failed to comply with existing standards and guidance. More Accounting Standards set forth in the ED will

not solve a problem caused by auditors who do not heed the existing Accounting Standards and Audit Guidelines already in their possession.

II. The ED Will Unnecessarily Increase Plan Administrative Costs and Increase Unwarranted Litigation

We believe the required additional procedures and reporting of findings (including those in ¶¶ 15, 16 and 20) will result in increased plan administration costs and unwarranted litigation costs, without any corresponding benefit to the participants and beneficiaries of the plans. The implementation of the ED will increase plan administration costs because plans will need to conduct both the expansive auditor compliance tests outlined in the ED and the compliance tests already conducted by other plan personnel and service providers. (e.g. ¶¶ 15& 20). The requirement of these duplicative compliance tests will greatly increase costs for multiemployer plans and decrease the plans' assets available for benefits. In addition, it will increase administrative costs as plans will need to compile and submit more information to the auditor. Since all plans have minor operational issues and they are routinely corrected, the publication of immaterial findings will not provide a significant (if any) benefit to participants while the costs will decrease the amount available in the plan to provide those benefits.

The ED may also result in qualified smaller and mid-sized firms exiting the market, thereby decreasing the level of diversity of auditors performing employee benefit plan audits and increasing the cost of audits. This is because the ED will simultaneously increase the amount of work and commensurate cost of the audits and relieve the downward market pressure that is caused by lower cost, qualified mid-size and small auditors. In addition, we believe the consideration of what to report as a finding of noncompliance with plan provisions is a matter of legal determination, causing plans to increasingly hire legal counsel solely for the purpose of compiling these insignificant findings, unnecessarily driving up costs even more.

The ED will also increase the chance of counterproductive and unwarranted litigation, as well as potentially increase auditor liability. Plan participants may find the reports confusing, thereby causing unnecessary concern even though the findings could be only routine insignificant operating errors. Because the auditor's report must be attached to the plan's publicly available electronic Form 5500 filing, it is foreseeable that opportunistic plaintiffs' lawyers will review the audit reports to gather information for meritless lawsuits against plan sponsors. This will create a moral hazard because it wrongly incentivizes plan administrators to avoid the unwarranted litigation risk by not collaboratively including the plan's auditor in addressing compliance issues or by hiring cheaper, less qualified CPAs so that a findings report will not be published at all. While such choices may be contrary to their fiduciary duty, it is bad policy to establish Audit Standards that create such disincentives while other alternative measures which address

the problem and do not create a moral hazard are available (like those suggested in Section VIII of this letter).

III. The ED Will Exceed the Scope of the Auditor's Role as Prescribed by ERISA by Requiring Auditors to Perform Plan Compliance Audits

The ED creates a “compliance audit” requirement by removing an accountant’s professional judgment and the concept of materiality from testing procedures and reporting for ERISA plan audits. Assurance and uniformity are the long-standing purpose of financial statement audits. Immaterial findings reported in the financial statements will not provide assurance. Further, the lack of a definition of the “clearly inconsequential” standard will drive disparity in reporting between plan auditors of varying capabilities and differing interpretations. This will confuse plan participants and other users of the financial statements.

The new provisions requiring that certain procedures be performed in every plan audit regardless of the accountant’s professional judgment of risk (§§15, 16 and 20) causes testing of compliance with the law, not testing of issues that bear on the financial soundness of the plan. The new provisions that require findings to be reported *without regard to materiality* and that those non-material findings be included on the financial statement or a separate document to be filed with the Form 5500 (§§ 119-124) mandate the reporting of immaterial operational issues. Combined, those new requirements result in a compliance audit that places plan auditors in a position similar to the DOL’s position as an enforcer of ERISA. This function is far beyond and inconsistent with the role ERISA intended for auditors, and the requirements should be abandoned in favor of the alternate proposals discussed below.

The ED’s reportedly DOL-inspired change to a compliance audit model is also reflected in additional required management representations. Requiring management to make compliance oriented representations and disclosures of information not material to the financial statements are also outside of the role Congress gave to independent auditors of employee benefit plans – the role of assuring the soundness of the plan’s financial statements. Accordingly, §12.b requiring a representation from management that it acknowledges and understands its responsibility for “administering the plan and determining that the plans transactions that are presented and disclosed in the ERISA plan financial statements are in conformity with the plan’s provisions” should be deleted or revised to say “materially in conformity with.” Similarly, §§12.c, 22.b, and A50 addressing the maintenance of “sufficient records with respect to each of the participants in accordance with ERISA section 107 and 209 to determine the benefits due or which may become due to such participants” should be deleted because, in some instances involving multiemployer plans, such records may be maintained by a contributing employer which can be verified by payroll audits conducted by multiemployer plans.

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 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.

The ED makes clear that the DOL Chief Accountant and other DOL personnel advocated adopting a legal compliance audit model consistent with Generally Accepted Government Auditing Standards contained in the “Yellow Book.” (ED pg. 5) The DOL Audit Report “Background” section states that “[u]nder ERISA, the Department plays no role in setting GAAP and GAAS standards. Such standards are set by institutions closely related to the accounting industry – the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA).” Nonetheless, DOL personnel not only “requested that the ASB take a fresh look at the auditor reporting model for ERISA plan audits . . .” (ED pg. 4) but also “participated in the task force and ASB deliberations and provided the task force with insights and recommendations as to

areas where the DOL believes the auditor's report can be strengthened. The task force considered this information as this proposed SAS was developed." (ED pg. 4) We also note that DOL's active involvement in the AICPA Task Force was designed to affect the information that plans must report on the Form 5500 at the same time that the DOL was engaged in the Form 5500 Proposed rulemaking under the Administrative Procedures Act. While we are concerned that the DOL's active participation in the AICPA Task Force may appear to impinge upon the AICPA's independence, we are more concerned that the DOL's participation reportedly resulted in provisions which will require plan auditors to perform "compliance audits" of plan operations instead of an audit of a plan's financial statements to show the plan's financial soundness as intended by ERISA.

IV. The ED Should Be Re-Proposed After Form 5500 Regulations are Finalized

We respectfully ask the AICPA to withdraw the ED and re-propose it after the DOL completes the process of finalizing its Proposed Form 5500 Changes. DOL has publicly stated that it intends to review public comments it received on the Proposed Form 5500 Changes during January of 2018, suggesting that the DOL could finalize the Proposed Form 5500 Changes sometime next year.

We ask for this delay because there are several inconsistencies and redundancies between the ED and the Proposed Form 5500 Changes from DOL. For example, the Proposed Form 5500 Changes require the plan administrator to identify whether the administrator was advised by the auditor of certain problems, including qualification issues, errors, illegal acts, etc. *See* 81 Fed. Reg. at 47583. At the same time, ¶¶ 15, 16, and 120 of the ED require that the auditor report certain findings related to specified plan provisions in the auditor's report or an attachment to the report. Consequently, those findings will be included in the Form 5500 and become a publicly available document. We believe that the requirement to report findings on the auditor's report is redundant under circumstances where the plan administrator is already required to indicate whether the auditor communicated issues within the Form 5500 itself. Again, this supports delaying AICPA's final action until DOL finalizes its Proposed Form 5500 Changes.

In addition, the Proposed Form 5500 Changes would require the plan administrator to attach a copy of the financial institution's limited scope audit certification to the Form 5500. 81 Fed. Reg. 47534 at 47565. DOL has stated that the purpose of this requirement is to enable DOL to engage in a "robust" review of the adequacy of limited scope audit certifications. *Id.* In addition, ¶ 20.a of the ED requires the auditor to obtain from management and review the certification from the plan's financial institution. Under ERISA, it is the plan administrator who has fiduciary responsibility and liability in connection with reviewing the financial institution's certification and determining whether the plan is entitled to rely on ERISA's limited scope audit rules. ERISA § 103(a)(3)(C); 29 C.F.R. 2520.103-5; 29 C.F.R. 2520.103-8. If

the Proposed Form 5500 Changes and the ED are finalized in their present form, three entities will independently be reviewing the sufficiency of certifications—the plan administrator, the auditor, and the DOL. We believe this redundancy will cause undo complexity and delay in the completion of audits and can be avoided if the AICPA withdraws the ED and re-proposes it after the Form 5500 changes are finalized.

V. The ED’s Requirements With Respect to Form 5500 Reporting Will Create Practical Administrative Difficulties and Increase Plan Administrative Costs

Under ¶¶ 36-37 of the ED, the auditor is required to make arrangements to obtain the Form 5500 prior to releasing the auditor’s report and to review the Form 5500 for material inconsistencies with the audited financial statements. At a bare minimum, this new requirement will create significant timing issues. The Form 5500 is usually being completed by plan management contemporaneously with the financial statement audit. Requiring the auditor to review the to-be-filed Form 5500 before issuing the audit report will only delay what is already a highly complex reporting process requiring input from many different multiemployer staff members and other plan service providers. Plans will need to revise their annual filing procedures in order to accommodate this change which will result in increased costs, a greater time burden, and increased potential liability for plan administrators. We note that under recent changes to the civil penalty provisions of ERISA, a plan administrator can be held personally liable for civil penalties of up to \$2,063 *per day* for a late Form 5500. *See* ERISA § 502(c)(2). A plan administrator who is assessed substantial civil penalties in connection with a late Form 5500 as a result of an auditor’s delay in reviewing the Form 5500 would seek to hold the auditor responsible for these penalties. We believe that an explicit requirement for the auditor to review the to-be-filed Form 5500 prior to issuing the auditor’s report will substantially increase the auditor’s potential liability in connection with reviewing the form when that is not the proper role of the auditor in the first place, especially when the auditor is not the professional preparing the Form 5500.

However, our concerns with paragraphs 36-48 go beyond mere timing issues. These paragraphs appear to extend the scope of the auditor’s responsibility from a review of the financial statements and related schedules to the entire Form 5500 itself, a report that contains much information unrelated to the plan’s financial condition. Extending the auditor’s responsibility to the Form 5500 as a whole in addition to the financial statements is extending the auditor’s legal liability and responsibility far beyond what ERISA compels the auditor to review. *See* ERISA § 103(a)(3).

We are particularly troubled by ¶ 42 which gives the auditor explicit authority to withhold the audit report, or withdraw from the engagement, if the auditor perceives a “material inconsistency” between the Form 5500 and the financial statements that

management refuses to resolve to the auditor's satisfaction. Nonetheless, the ED provides no guidance on how to identify such a "material inconsistency." As the AICPA is aware, the Form 5500 currently contains several legal compliance questions that require the plan administrator to identify certain specific compliance issues. *See* Form 5500, Schedules H and G. Scores of new compliance questions would be added to the Form 5500 under DOL's recent Proposed Form 5500 Changes. *See* 81 Fed. Reg. at 47572 – 47599. For example, a current question on the Form 5500 asks whether the plan failed to pay any benefits when due. If the auditor identifies an issue with calculating eligibility, but this box is not affirmatively checked, would the auditor be permitted to withhold the audit report or withdraw from the engagement? Similarly, question that would be added to the form under the Proposed Form 5500 Changes asks whether the plan has any uncashed checks and the amount. If the Form 5500 indicates that uncashed checks exist, but the financial statements do not show an amount payable, would the auditor be within their rights to withhold the report? We are very concerned that ¶ 42 gives the auditor far too much control over the Form 5500 (which is not properly within his purview since the auditor may not be preparing the Form 5500) and far too much potential liability in connection with filing delays and failures that could inevitably result.

VI. The ED Requires Accountants to Make Legal Judgments Beyond the Scope of Their Expertise

To the extent that the ED requires that auditors interpret terms and provisions of ERISA, the ED requires auditors to make legal judgments beyond the scope of their expertise. For example, the application of ERISA prohibited transaction rules to allocations as required by ¶¶ 15-16 must involve a legal analysis beyond the expertise of an auditor. Similarly, ¶ 20 requires the auditor to determine whether a financial institution "holds" a plan's assets and qualifies as an entity allowed to certify the value of such assets. Those issues require a legal analysis of ERISA regulations. And, DOL's Office of the Inspector General has advocated that the interpretation of the criteria which must be satisfied in order for a financial institution to be qualified to make that certification should be the subject of a DOL rulemaking.¹ Those interpretations would require an auditor to inappropriately restrict the traditional application of the limited scope audit exception in ERISA Section 103(a)(c) and ERISA Regulations 2520.103-5 and 8. The ERISA Advisory Council concluded in 2010 that removing the limited scope audit

¹ 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")

exception would increase plan administrative costs and that the current application of the exception does not result in a harm to plan participants.²

The ED suggests that the auditors will need to consult with the plan's legal counsel to assist in determinations of whether the Form 5500 contains a material misstatement of "fact." This inclusion in the ED suggests that such determinations involve the practice of law. Further, ¶ A76 anticipates that the auditor may need to involve legal counsel with respect to such determinations, illustrating the risk of legal challenge for the auditor that the ED may create. However, plan's counsel is prevented by professional ethics from discussing such matters with an auditor because of the duties of confidentiality and the need to protect attorney-client privilege and attorney work product. Such communications would be prohibited by the 1975 "Treaty" between the AICPA and American Bar Association.

While we understand that some of these issues may already be considered by CPA's auditing plan financial statements, it does not mean that they should be making legal interpretations that substitute their interpretation for that of plan management who have the benefit of legal advice from plan counsel. Moreover, even if such legal determinations are inappropriately being made by plan auditing CPAs, the points made above still argue against requiring CPA's to make those determinations by putting the requirements in the Accounting Standards. This is because putting those requirements in the Accounting Standards (as opposed to the Audit Guidelines) removes the CPA's ability to avoid reaching such legal conclusions based on their professional judgment that it is not appropriate to do so.

VII. The ED Should Not Apply to Multiemployer Apprenticeship and Training Plans

Multiemployer apprenticeship plans should not be covered by the ED. While apprenticeship plans are covered under ERISA §3(1), they are generally not required to file a Form 5500 if they make a one-time filing with the Department of Labor under ERISA Regulation 2520.104-22. Thus, the provisions regarding Form 5500 reporting are inapplicable. In addition, the procedures required by ¶¶ 15,16, and 20 are likely inapplicable to a multiemployer apprenticeship plan. For example, it is a difficult legal decision to determine exactly who is a participant of an apprenticeship plan. Such a person may not currently even be an employee. Also, the specific provisions of eligibility and vesting are not applicable since eligibility for apprenticeship is determined by a selection process and there is no vesting for training benefits. And, too, employer contributions to a multiemployer apprenticeship plan are normally determined by a collective bargaining agreement outside of the plan terms. Moreover, apprenticeship

² ERISA Advisory Council, U.S. Dep't of Labor, Employee Benefit Plan Auditing and Financial Reporting Models (2010) <http://www.dol.gov/ebsa/publications/2010ACreport2.html>

plans exempted from the Form 5500 do not have limited scope audits permitted by ERISA and are not required to prepare supplementary schedules. Since the required testing is inapplicable to multiemployer apprenticeship plans, there is also no reason to obtain representations from the plan with respect to those areas. Thus, while existing guidelines continue to apply, we respectfully request that multiemployer apprenticeship plans be excluded from coverage by the ED.

VIII. Alternative Suggestions

The NCCMP agrees that improving the audit quality of multiemployer plan statements is a worthwhile goal. However, we concur with the conclusions of the DOL Audit Report that increased education requirements for auditors of employee benefit plans and improved procedures for peer reviews would be a better approach than the changes to the Accounting Standards in the ED. A change in the Accounting Standards will not increase the quality of audits by those who otherwise ignore the existing Audit Standards and Audit Guidelines.

One way the AICPA could improve plan audit quality is by requiring auditors to join the AICPA Employee Benefit Plan Audit Quality Center. The DOL Audit Report concluded that “[m]embers of the AICPA’s Employee Benefit Plans Audit Quality Center (EBPAQC) tend to conduct fewer audits containing multiple GAAS deficiencies. Additionally, non EBPAQC member firms tend to have more GAAS deficiencies per audit engagement than EBPAQC members.” (DOL Audit Report, pg. 22) This will ensure that auditors are up to date on the standards and procedures applicable to ERISA plan audits, as one of the biggest issues leading to “failed” audits is that auditors do not follow the Accounting Standards set by the AICPA.

We also recommend that the AICPA increase the continuing education requirements for all auditors of employee benefit plans. We suggest that the ASB consider requiring an accountant to have 24 hours of employee benefit plan CPE before the CPA is considered to be qualified to perform an audit of a plan.

Finally, we agree with the DOL Audit Report’s recommendation that AICPA “streamline” its peer review process. As you may recall, the DOL Audit Report specifically recommended that the AICPA “ensure that CPAs who are required to undergo a peer review have in fact had an acceptable peer review” and that AICPA staff “identify those CPAs who have not received an acceptable peer review and refer those practitioners to the applicable state licensing boards of accountancy.” (DOL Audit Report, pg. 23).

In our view, multiemployer plan participants would be better served by an increase in education and peer review efforts by the AICPA than the proposed changes to the Accounting Standards contained in the ED. Education and enforcement improvements

would increase the quality of plan audits while avoiding the increased costs, burdens, and concerns described above.

Thank you for your time and consideration. We would like to work collaboratively with the AICPA on the proposed ED going forward. To that end and if possible, the NCCMP would like to work with AICPA staff and present to the ASB as it considers comments to AU-C 703.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Scott", is centered within a light gray rectangular box.

Michael D. Scott
Executive Director

cc: Charles E. Landes, AICPA Vice President, Professional Standards and Services
Linda Delahanty, AICPA, Senior Manager, Audit and Attest Standards – Public Accounting