



November 1, 2021

Office of Regulations and Interpretations
Employee Benefits Security Administration, Room N-5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, D.C. 20210
Attention: Proposed Form 5500 Revisions RIN 1210-AB97

RE: [Proposed Revision of Annual Information Return/Reports \(RIN 1210-AB97\)](#)

The American Institute of Certified Public Accountants (AICPA) appreciates the opportunity to comment on Proposed Revision of Annual Information Return/Reports (RIN 1210-AB97) issued in the September 15, 2021 Federal Register (the Proposal). These comments were prepared by the AICPA Employee Benefit Plan Audit Quality Center Executive Committee and the AICPA Employee Benefit Plans Expert Panel. We support the Department of Labor (DOL), Department of Treasury (Treasury), Internal Revenue Service (IRS) and Pension Benefit Guaranty Corporation (PBGC) (collectively the Agencies) in their efforts to update the Form 5500 Series for the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) and to improve employee benefit plan reporting for filers, the public, and the Agencies.

Update to Forms 5500 and 5500-SF and their Instructions – Changes to Method of Determining Small Plan Status for Certain Filing Exemptions and IQPA Audit Requirement

The Proposal would change the current method of counting covered participants for purposes of determining when a defined contribution plan may file as a small plan and whether the plan may be exempt from the independent qualified public accountant (IQPA) audit requirements. The Proposal notes that participants of plans that file as a small plan would no longer have the protections provided by the IQPA audit, which could result in an increased risk of errors and fraud, and that there are conditions for small plans to be eligible for the audit waiver in CFR § 2520.104–46 designed to address those potential risks.

The IQPA audit is an important part of the safeguards established by Congress in ERISA to protect plan participants. We support the DOL's efforts to evaluate the cost benefit of a financial statement audit for small plans. We recognize that the DOL is a significant user of IQPA audits, and that a financial statement audit as contemplated by Congress may not be cost effective for certain small plans with over 100 eligible participants but with very few active participants. However, we have concerns about the diminished protections to plan participants as detailed below. We believe there are other significant considerations that should be made by the DOL before finalizing a change to the audit threshold that

would exempt an estimated 11,362^[1] small plans from an IQPA audit. Before making a final change to the audit threshold, we recommend the DOL:

- Determine and communicate how the DOL will monitor and evaluate compliance for the plans that would no longer be subject to an IQPA audit.
- Determine the adequacy of current reporting, and possible need for additional reporting, by the affected plans to the DOL related to plan compliance.
- Determine whether additional or expanded DOL compliance projects, programs and activities are needed, including plan sponsor education, resources, and outreach.
- Consider cost-effective alternatives to a financial statement audit for small plans, such as certain compliance assessment procedures performed by CPAs in accordance with professional attestation standards.
- Reevaluate the current conditions for the small plan audit waiver.
- Consider the potential negative impact of the proposed threshold change on employee participation in the plan.

Accordingly, we believe the DOL should reevaluate the change in audit threshold as part of its separate project focusing on a broader range of improvements to the Form 5500 annual reporting requirements rather than in the annual forms update project.

We have provided additional comments and suggestions in our comment letter to the DOL on its proposed regulations in the Annual Reporting and Disclosure (RIN 1210-AB97).

Schedule of Assets

The Proposal recommends establishing a standardized electronic filing format for the Schedule H, line 4i Schedules of Investments to create a searchable reporting format and increase the accessibility of Form 5500 Annual Return/Report information.

Many plan sponsors use the Schedule of Assets included in their plan's financial statements as the attachment to the Form 5500 to satisfy the current filing requirement. A new searchable format for the Form 5500 information would potentially require additional work to prepare, compare, and reconcile different schedules used for the plan's financial statements and for the Form 5500. Also, a single searchable schedule could be challenging and costly for plans with more than one investment custodian.

We recommend DOL evaluate how easily and cost effectively the requested information can be made available by service providers, including the time and costs associated with changes to their reporting systems. Further, we recommend that any changes to reporting investment information be considered as part of the broader range of improvements to the Form 5500 annual reporting requirements rather than in the annual forms update project.

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The AICPA Employee Benefit Plan Audit Quality Center is a firm-based voluntary membership center of over 2,450 CPA firms that audit employee benefit plans. The AICPA Employee Benefit Plan Expert Panel

^[1] DOL estimate of the number plans that currently provide an IQPA audit report that would be exempt from the IQPA audit under the Proposal [Proposed rule, Annual Reporting and Disclosure (RIN 1210-AB97)]

serves the needs of AICPA members on financial reporting and audit matters related to employee benefit plans.

The AICPA is the world's largest member Association representing the accounting profession with more than 431,000 members in 130 countries and territories, and a history of serving the public interest since 1887. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America's largest businesses.

We appreciate your consideration of our recommendations. Please contact Ian MacKay at Ian.MacKay@aicpa-cima.com if you have any questions or would like to discuss these comments.

Sincerely,

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