

MEMO# 8049

July 10, 1996

SENATE LABOR COMMITTEE TO CONSIDER REPEAL OF LIMITED SCOPE AUDIT

1 See Institute Memorandum to Pension Members No. 56-95, dated December 21, 1995.
July 10, 1996 VIA FAX TO: PENSION COMMITTEE No. 33-96 RE: SENATE LABOR COMMITTEE
TO CONSIDER REPEAL OF LIMITED SCOPE AUDIT

_____ As explained further below, we are soliciting information regarding whether member companies and their trust company affiliates currently obtain auditing reports pursuant to Standard Auditing Standards No. 70 ("SAS 70"), which describes standards for reports issued on the adequacy of processing and compliance procedures in service organizations. On July 17, the Senate Committee on Labor and Human Resources is scheduled to consider S. 1490, which, as previously reported¹, proposes to repeal ERISA's limited scope audit provision. If repealed, plan auditors would need to review plan assets and records held by banks, trust companies, and other financial institutions. Under current law, plan auditors rely on certified statements from these institutions. The Institute has strongly opposed this bill. We are concerned, however, that with some modification, the bill may be reported out of Committee. Specifically, one suggested modification would repeal the limited scope audit provision but require the plan auditor to rely on an independent audit of the financial institution that complies with SAS 70. Another suggested revision to the bill would require the plan auditor to rely on the certified statements of the financial institutions which are used under current law (see ERISA section 103(b)(3)(G)), but only to the extent that they are consistent with generally accepted accounting principles. It is our understanding that some, but not all, relevant member affiliates currently have SAS 70 audits performed. We are soliciting information from you regarding whether or not your organization obtains SAS 70 auditing reports, the estimated cost of such reports, and the burden and time it would take to obtain such a report if required. More generally, would a SAS 70 requirement be an acceptable compromise? If possible, please contact either me at (202) 326-5835, or Cathy Heron at (202) 326-5830 with comments by Thursday, July 11, as we will be meeting with relevant Labor Committee staff late Thursday afternoon. Russell G. Galer Assistant Counsel - Pension

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