

Improving Plan Audits

Proposed Changes to Boost Audit Quality

A report released by the Department of Labor's Employee Benefit Security Administration (EBSA) purports a need for improvement in the audits of employee benefit plans. The report, released May 28, 2015, contains the findings of a study conducted by EBSA which examined 400 Form 5500 filing audits from 2011. Among the audits examined, 61% were fully compliant with professional auditing standards or contained only minor deficiencies. The remaining 39% exhibited what EBSA classified as major deficiencies.

The full text of "Assessing the Quality of Employee Benefit Plan Audits" can be found on the [DOL website](#).

A Plan for Improvement

Based upon their findings, the Employee Benefit Security Administration plans to increase their current outreach program and strengthen enforcement of audit standards. In addition, the administration has put forth several recommendations to Congress to amend the Employee Retirement Income Security Act, ERISA. Their recommendations include the following;

- Update "qualified public accountant" certification requirements to include those necessary to ensure the quality of plan audits.
- Repeal the limited-scope audit exemption.
- Give the Secretary of Labor the authority to establish new accounting principles and audit standards to better protect plans, participants, and beneficiaries.

EBSA plans to work with the National Association of State Boards of Accountancy (NASBA) to require specific licensing requirements for CPAs who perform employee benefit plan audits and with the American Institute of Certified Public Accountants (AICPA) to streamline and improve the peer review process.¹

AICPA Efforts

As concluded by the DOL's study, "members of the AICPA's Employee Benefit Plan Audit Quality Center (EBPAQC) tend to have fewer audits containing multiple GAAS deficiencies". According to an AICPA released statement, "The AICPA's overarching goal has been—and continues to be—helping individuals and firms perform the highest-quality employee benefit plan audits possible... We will work with auditors,

¹ Assessing the Quality of Employee Benefit Plan Audits. Office of the Chief Accountant. Employee Benefits Security Administration. U.S. Department of Labor. May 2015.

plan sponsors, state CPA licensing boards, and the Department of Labor to accomplish that.”²

In May of 2014, the AICPA launched the Enhancing Audit Quality (EAQ) initiative, aimed at strengthening audit quality with a focus on employee benefit plans. This past May, a new [six-point plan](#) was released to promote quality in all stages of a CPA’s career. The six-point plan focuses on pre-licensure, standards and ethics, CPA learning and support, peer review, practice monitoring of the future, and enforcement. In 2017, the Institute intends to roll out a new CPA exam with additional content and an updated technological platform to not only test knowledge, but competency as well. Jointly with the National Association of State Boards of Accountancy, the AICPA issued a draft statement proposing revisions to the Standards for Continuing Professional Education (CPE) Programs. The text of this draft statement can be found on the [NASBA website](#). In an April 2015 [article](#) in PlanAdviser, AICPA Senior Vice President, Sue Coffey explains additional initiatives by the AICPA to further their mission and improve the quality of employee benefit plan audits.

The AICPA is in agreement with EBSA’s recommendation to Congress to repeal the limited scope audit exemption. Additionally, they recommend that EBSA create an educational program aimed at helping Plan Sponsors to understand the importance of hiring a quality auditor.³

The Bottom Line

Thorough audits are critical to employee benefit plans. The proposed changes are supported by CPA industry groups to ensure audit quality and consistent standards in the future.

² Tysiac, Ken. Report calls for improvement in employee benefit plan audits. Journal of Accountancy. 1 June 2015.

³ Cohn, Michael. Labor Department Finds Problems with CPA Audits of Employee Benefit Plans. Accounting Today. 28 May 2015.