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**Employee Benefit Plan Audits and Auditors**

**Introduction**

ERISApedia is pleased to announce the release of the 2024 edition of “*A* *Study of Employee Benefit Plan Audits and Auditors”.* (See attached) This study was performed using the ERISApedia database of audited plan 5500 filings as of January 8, 2024. We have prepared this study in a manner that allows a CPA firm to share the findings with its current and/or potential employee benefit plan (EBP) audit clients. Please feel free to modify the attached study as you see fit and to add any information about your firm.

**About the Study and Study Methodology**

The recent DOL Audit Quality Study (November 2023), mentioned in the attached study, found that “***there continues to be*** ***a clear link between the number of employee benefit plan audits a CPA performed and the quality of the audit work."***

The following table from the report shows the deficiency rate by number of plans audited and clearly shows the relationship between the number of plan audits and the quality of the audit work. Audit firms doing 1-2 plans had a 70% deficiency rate, while audit firms doing more than 100 plans had deficiency rates of 19.2% for simple plans and 5.9% for complex plans.



Plan administrators should understand the importance of hiring competent CPAs to perform their audit work. Our 5500 database can help with this exercise. We have developed extensive metadata that allows unique search capability such as searching for plans that are audited by a firm that does less than X number of audits.

While approximately 67,000 (or about 68%) of all EBP audits are being done by the firms that do 50 or more plan audits, there are about 5,743 plans (or about 7%) currently being audited by firms that do five or less EBP audits.

Our study found that there continues to be consolidation in plan auditors. Since our study in 2020, there has been a 45% reduction in the number of audit firms doing plan audits. In the 2020 study, there were 8,635 CPA firms doing plan audits while this years’ study included a total of 4,711 firms. Firms doing 50 or more audits grew 7% in this same period, while there was a 62% reduction in firms doing just one plan audit, and a 41% reduction in firms doing 2-5 plan audits.

The DOL has implemented new regulations that will affect the number of plan audits performed starting in 2024. Defined contribution plans, including 401(k) plans and 403(b) plans, will determine whether they file as a large plan and include an audit report based on the number of participants ***with account balances*** as of the beginning of the plan year.

Previously the audit requirement included the total number of ***eligible*** participants at the beginning of the plan year, even if the participant was not making contributions, receiving employer contributions, or maintaining an account in the plan. We expect a 10-12% decrease in the number of audits this year as a result. We still don’t fully know what impact the new Long Term Part Time rules will have but we expect it to increase the number of audits as participation increases.

**How ERISApedia Can Help**

As the chart below indicates, plan sponsors change audit firms frequently. (In the last 9 years, an average of 3,831 plans changed auditors each year.) This means that an audit firm must constantly prospect for new clients to maintain a suitable sized audit practice.

 The 2022 filings were not complete as of January 2024 ,so the number of changes for that year may be underreported.

The **CPA Plan Audit Prospecting ReSource** by ERISApedia allows users to quickly and easily identify plan details, have instant access to audit reports, and gain information about the audit firms currently doing EBP audits. Users can also search geographically by plan characteristics and demographics, as well as by audit firm name, or EBP audit practice size. It also allows searches of plans that are nearing the participant-size threshold for an audit.

**The Plan Data Intelligence** **ReSource** offers more powerful search capabilities than the Plan Audit Prospecting ReSource and also offers full text search of 5500 attachments, including audit reports. The Plan Data Intelligence ReSource allows users to generate **Operational Benchmark Reports** that compare a plan to its peers in several operational areas and provides plan feature prevalence among the peer groups.

**About ERISApedia**

ERISApedia provides CPAs and other professionals working in the retirement plan space a complete suite of business development and marketing analysis tools based on the ERISApedia proprietary database of retirement plans. This database includes all information derived from the Form 5500 filings and is augmented by proprietary metadata and data normalizations. Customizable operational benchmarking reports are available that allow for benchmarking a plan against both a standard and custom peer group.

ERISApedia also provides retirement plan administrators, plan sponsors and attorneys a product suite of compliance tools. The compliance tools provide users with easy access to up-to-date compliance information and important retirement industry materials. With a platform that combines search tools and a user-friendly interface, ERISApedia provides tools for our customers to get answers and win clients.

For more information, please contact Maureen Pesek, VP of Sales at mpesek@erisapedia.com or 612-444-3665

[Please feel free to share this study with current and/or potential clients

 and to modify the report as you see fit to add any information about your firm.]

**A Study of Employee Benefit Plan Audits and Auditors**

**By ERISApedia January 2024**

(An independent plan compliance, data aggregation and information service provider)

**Executive Summary**

The US Dept. of Labor (DOL) recently performed a study of Employee Benefit Plan Audits. The Audit Quality Study (November 2023) found that a “***significant number of employee benefit plan audits were deficient***.” The study also found that ***there continues to be a clear link between the number of employee benefit plan audits a CPA performed and the quality of the audit work***.”

The report also found that audits performed by members of the American Institute of Certified Public Accountants’ (AICPA) Employee Benefit Plan Audit Quality Center had a significantly lower deficiency rate.

To ensure that plan participants and beneficiaries are not put at unnecessary risk, Employee Benefit Plan (EBP) sponsors should select a qualified CPA who has the expertise to perform an audit in accordance with professional auditing standards. To determine whether the CPA has the qualifications to perform your Plan’s audit you might want to consider the number of employee benefit plans the CPA audits each year, as well as membership in the AICPA Employee Benefit Plan Audit Quality Center.

**Key Findings: The Numbers Tell the Story**

Research by ERISApedia shows that there are 4,711 audit firms doing 95,156 benefit plan audits (as of January 8, 2024). Of the 4,711 audit firms currently listed as performing plan audits 1,687 firms (35%) are auditing more than five plans. Only 581 firms (12%) are found to be performing 25 or more plan audits. There are 1,716 firms (34%) that only audit one plan.

The following table from the DOL report shows the deficiency rate by number of plans audited and clearly shows the relationship between the number of plan audits and the quality of the audit work. Audit firms doing 1-2 plans had a 70% deficiency rate, while audit firms doing more than 100 plans had deficiency rates of 19.2% for simple plans and 5.9% for complex plans.



**Planning Opportunity for Plan Sponsors**

The DOL findings should encourage EBP sponsors to evaluate their audit firm. It has created an opportunity for CPA firms with competency and capacity in the field of EBP audits to improve service and increase new client satisfaction for some plan sponsors.

Data from the ERISApedia database shows 1,371 CPA firms had a net increase in plan audit count (gained more plan audits than lost) from 2021 to 2022. Not surprising, 38% of those were firms already doing over 20 audits. This data shows that plan sponsors are migrating to firms with expertise in performing plan audits.

**About Our Firm**

Insert information about your firm here. ERISApedia is able to provide the numbers for you if you do not have them readily available.

We currently audit \_\_\_\_\_\_\_\_ employee benefit plans, covering \_\_\_\_\_\_\_ participants and a total of \_\_\_\_\_\_\_\_\_\_\_ assets.