

A Study of EBP Audits and Auditors

Background

A recent study (Assessing the Quality of Employee Benefit Plan Audits) performed by the DOL found that a surprising number of employee benefit plan audits were deficient. The DOL study also found that there was "a clear link between the number of employee benefit plan audits performed by a CPA and the quality of the audit work performed." The study recommended that DOL auditors revise case targeting to focus on CPA firms with smaller employee benefit plan audit practices that audit plans with large amounts of plan assets.

It is in the interest of benefit plan auditors to increase competency and grow their benefit plan audit practice to help escape DOL scrutiny.

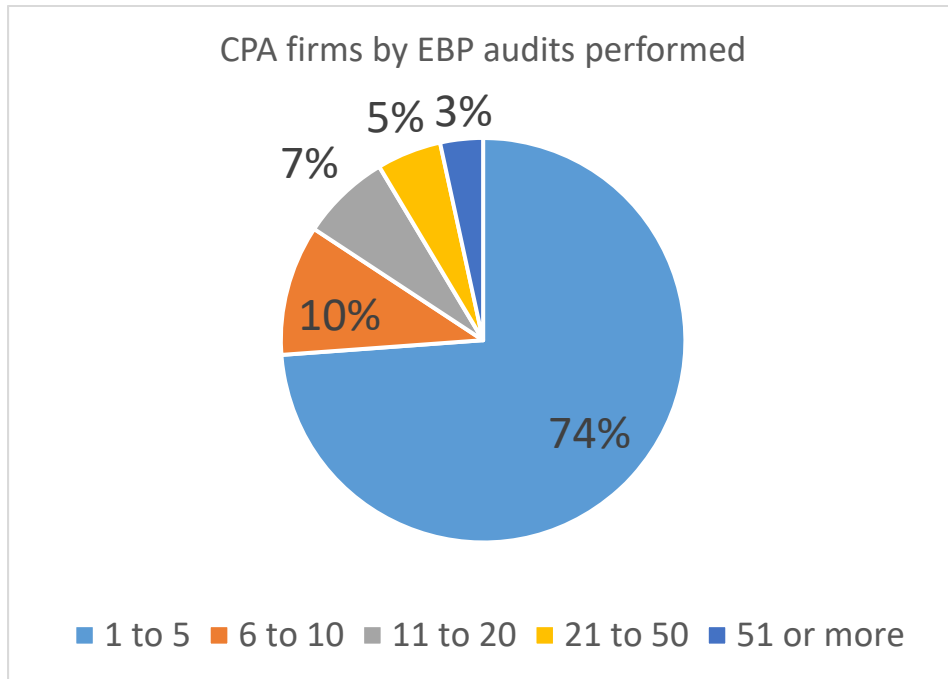
How the Study Was Performed

Our study was performed using the ERISApedia.com database of audited plan 5500 filings. The easily searchable database contains data from all 5500 filings with plan audits. Auditor data is subject to intense scrubbing to help insure accurate data for each audit firm. The database also contains a separate table to allow searches of plans that may require audits in the near future.

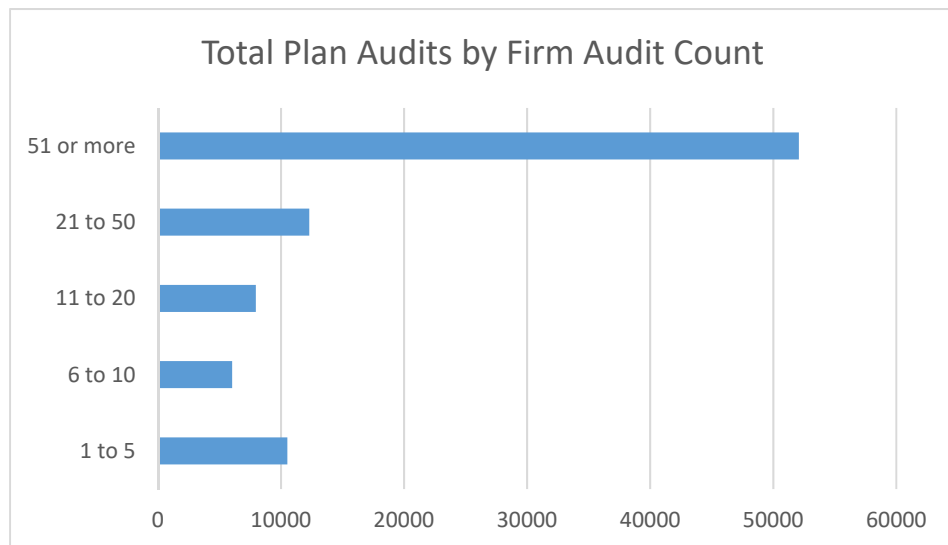
Study Results

Our research shows that, as of January, 2017, there are approximately 7,600 audit firms doing approximately 88,900 benefit plan audits.

Of the 7,600 audit firms currently listed as performing plan audits, approximately 74% of them are currently auditing five or fewer plans with almost half listed as doing only one plan audit and only approximately 8% listed as performing 21 or more. See chart on the next page.



While well over 50,000 of all EBP audits are being done by the firms that do 51 or more plan audits, there are over 10,000 plans currently being audited by firms that do five or less EBP audits.



The US Dept. of Labor advises EBP sponsors that "[s]electing a qualified CPA who has the expertise to perform an audit in accordance with professional auditing standards is a critical responsibility in safeguarding your plan's assets and ensuring your compliance with ERISA's reporting and fiduciary requirements." The DOL goes on further to explain "To ascertain the qualifications of a CPA firm to perform your Plan's audit you might want to consider... The number of employee benefit plans the CPA audits each year, including the types of plans..."

The current audit firm situation as well as DOL encouragement has created an opportunity for CPA firms with competency and capacity in the field of EBP audits to grow their practice significantly.

Conclusion

In conclusion, there is a great deal of "movement" going on currently with some firms growing their practice and others leaving that part of their practice to be served by other firms. Firms of all sizes can benefit by prospecting for new plan audit opportunities.

How ERISApedia.com Can Grow Your Practice

The CPA Plan Audit Prospecting ReSource by ERISApedia.com allows one to quickly and easily identify plans and details about a plan, as well as information about the audit firms currently doing EBP audits.

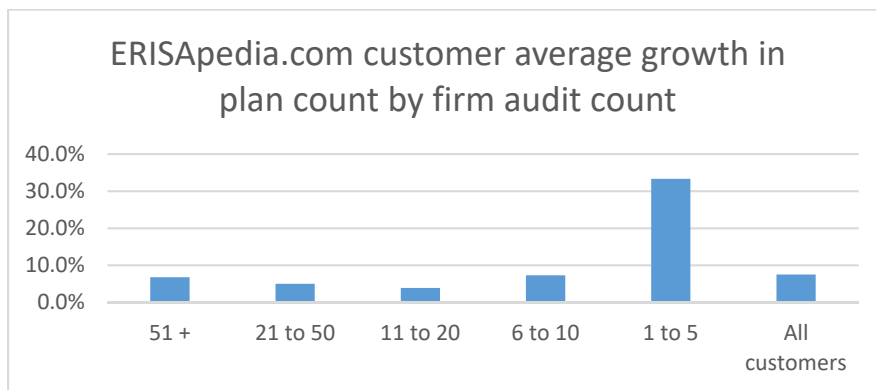
One can search geographically by plan characteristics and demographics as well as by audit firm name or EBP audit practice size.

After less than two years, ERISApedia.com currently serves almost 1/3rd of the firms doing 100 or more EBP audits with our Plan Audit Prospecting ReSource and approximately 20% of all of the firms doing more than 50 EBP audits.

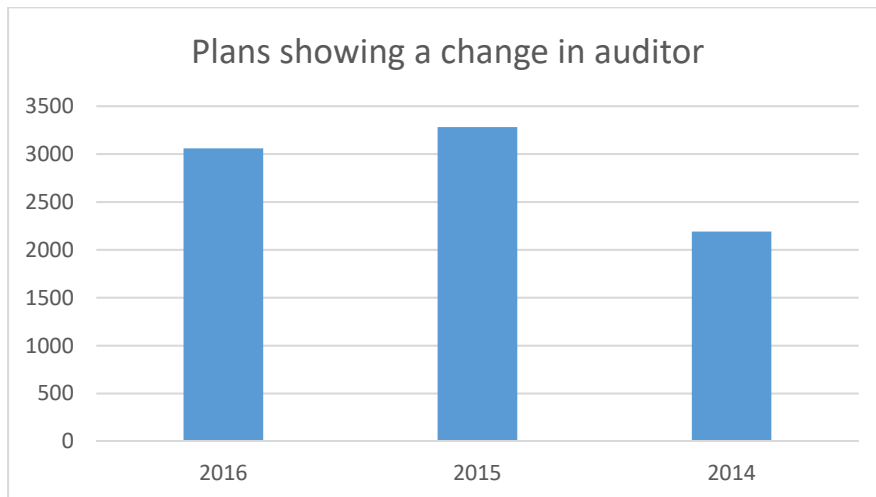
Fourteen firms doing less than 10 audits have purchased our prospecting resource to grow their practice. As a group, they grew their plan audit count by 15% with the firms doing five or less audits growing their practice by over 30% on average.

The average NET plan audit count growth for firms using our prospecting resource is 7.5%. One third of our customers grew by double digits. See the charts below.

ERISApedia.com serves audit firms of all sizes and the customers in each size category experienced growth on average.



An average of almost 3,000 plans changed auditors in each year from 2014 to 2016.



There is ample opportunity to grow your EBP audit practice and finding the opportunities has been made easier by ERISApedia.com.