



Be Prepared: Choosing your Employee Benefit Plan Auditor

In recent years, the Department of Labor (DOL) conducted a study of employee benefit plan (EBP) audits performed by various CPA firms. The results of this study may be surprising to a lot of folks, including those CPAs who work on EBP audits. The study revealed that the percentage of deficient audits is directly related to the number of audits a CPA firm performs. The lower number of EBP audits audited by CPAs, the higher the deficiency rate of those audits. Below is a table for the DOL's Audit Quality Study showing the results.

Number of Plans Audited	Deficiency Rate
1-2	75.8%
3-5	68.4%
6-24	67.4%
25-99	41.5%
100+	12.0%

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

As Plan Sponsors begin planning for their yearly EBP audit, there are a few items to consider when you are selecting or evaluating the audit firm you use:

1. Audit Firm Expertise: Plan Sponsors should be engaging an audit firm that truly understands benefit plans and all of their complexities. The decision on hiring an auditor should not be based on fee alone. Plan Sponsors should be assessing the experience of the audit firm as well as asking about training programs they have in place for staff in order to keep everyone on the team up to speed with the ever evolving EBP world. As shown above, selecting a firm that does more than 100 EBP audits will certainly yield a higher quality audit than firms that do less than 100.

2. Understand the Audit Process: Plan Sponsors should ask questions of the audit team in terms of how the audit will progress. A qualified auditor will take the time to explain the various nuances of an EBP audit and walk through the steps that will be performed, and more importantly why those steps are being performed. Auditors ask for a wealth of information from Plan Sponsors in order to complete these audits and it helps the Plan Sponsor to understand why those items are being requested and for what purpose. Plan Sponsors should stay engaged during the audit and should expect feedback at the conclusion of the audit from the audit firm.

3. Audit Firm Quality: It is strongly recommended to choose an audit firm that is a member of the AICPA Employee Benefit Plans Audit Quality Center (EBPAQC). The EBPAQC was formed to help promote the quality of EBP audits. Firms that are members of the EBPAQC have shown a commitment to the EBP practice area by having resources and trainings available to them that solely focus on EBP audits. Members of the EBPAQC are required to meet certain levels of training and perform certain quality control functions within their EBP practice. Windham Brannon, LLC audits over 100 benefit plan audits and has been a member of the EBPAQC since its inception. They also have a dedicated team of professionals in their EBP practice and speak on various EBP topics to groups at the local and national level. Windham Brannon is committed to this practice area and in building relationships with Plan Sponsors to help overall improve the EBP industry.

Please contact Anne Morris at 678-510-2723 if you have any questions about your EBP audit.