

Why Is It Important?

↳ Choosing A Quality Employee Benefit Plan Auditor

▶ PLAN SPONSOR RISKS

The Employee Retirement Income Security Act (ERISA) holds plan administrators responsible for ensuring that plan financial statements are properly audited in accordance with generally accepted auditing standards. You should be aware the hiring of a plan auditor is considered a fiduciary function. As such, plan administrators should use the same care and prudence in hiring a plan auditor that they use when hiring any individual or entity that provides services to the plan. Because an incomplete, inadequate, or untimely audit report may result in a rejection of your filing and penalties being assessed against you as the plan administrator, selection of an experienced, reliable auditor is very important. In various reviews of the quality of plan audits, the DOL has found firms with limited employee benefit plan audit practices have a higher rate of deficient professional work. In addition, the DOL has identified certain factors it believes contributes to whether or not employee benefit plan audits comply with established professional standards.



**MEMBER OF THE AMERICAN INSTITUTE OF
CPAS (AICPA) EMPLOYEE BENEFIT PLAN AUDIT
QUALITY CENTER (EBPAQC)**



▶ COMPLIANCE FACTORS

- Adequacy of technical training & knowledge on the part of auditors conducting employee benefit plan audits
- Awareness of auditors of the uniqueness of employee benefit plan audits
- Whether auditors have established quality review & internal process controls
- Perception by plan administrators &/or auditors of the importance of employee benefit plan audits beyond fulfilling a governmental regulatory requirement
- Amount of employee benefit plan audit work in the auditor's overall practice
- Failure of auditors to perform necessary audit work
- Failure of auditors to understand the limited scope audit exception
- Period of time available to adapt to new technical guidance

A QUALITY AUDITOR HELPS:

- ▶ Protect financial integrity of the benefit plan & helps determine whether necessary funds will be available to pay retirement, health, & other promised benefits
- ▶ The plan administrator carry out legal responsibility to file a complete & accurate IRS Form 5500 with the Department of Labor (DOL)

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Replacing Deficiencies With Efficiencies

▶ AUDITOR EXPERIENCE & PROFESSIONAL DEVELOPMENT

The plan financial reporting and audit environment is unique in many respects, including the nature of plan operations, the various laws and DOL and IRS regulations with which plans must comply, and special reporting and audit requirements. These matters, which affect every plan, add to the complexity of an employee benefit plan audit.

The more training and experience an auditor has with employee benefit plan audits, the more familiar the auditor will be with benefit plan practices and operations, as well as the special auditing considerations that must be made and rules that apply to such plans.

DID YOU KNOW?

FREQUENTLY, AUDITS ARE FOUND TO BE DEFICIENT BECAUSE OF THE FAILURE OF THE AUDITOR TO CONDUCT TESTS IN AREAS UNIQUE TO EMPLOYEE BENEFIT PLANS

AUDITORS SHOULD HAVE EXPERTISE IN:

- ✓ Evaluating whether plan assets covered by the audit have been fairly valued
- ✓ Unique aspects of plan obligations
- ✓ Timeliness of plan contributions
- ✓ How plan provisions affect benefit payments
- ✓ Allocations to participant accounts, if possible
- ✓ Issues that may affect the plan's tax status
- ✓ Transactions prohibited under ERISA

▶ IDENTIFYING QUALITY AUDIT FIRMS



AICPA EBPAQC member firms show their commitment to providing quality audit services to ERISA plans by voluntarily adhering to higher standards of audit quality in their policies, procedures, and training related to the performance of benefit plan audits. Those standards are the benchmark of their commitment to quality performance and client service. **KPM is an EBPAQC member and has experience auditing all types of employee benefit plans.**

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