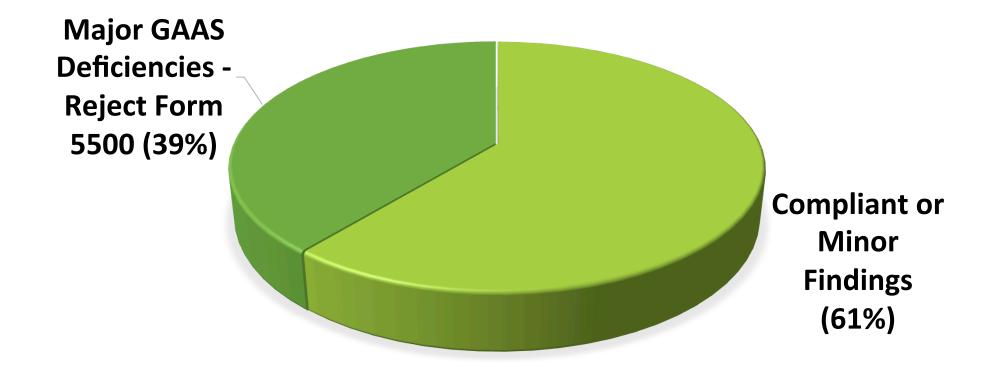
# DOL Audit Quality Study Update

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#### DOL EBSA Audit Quality Study

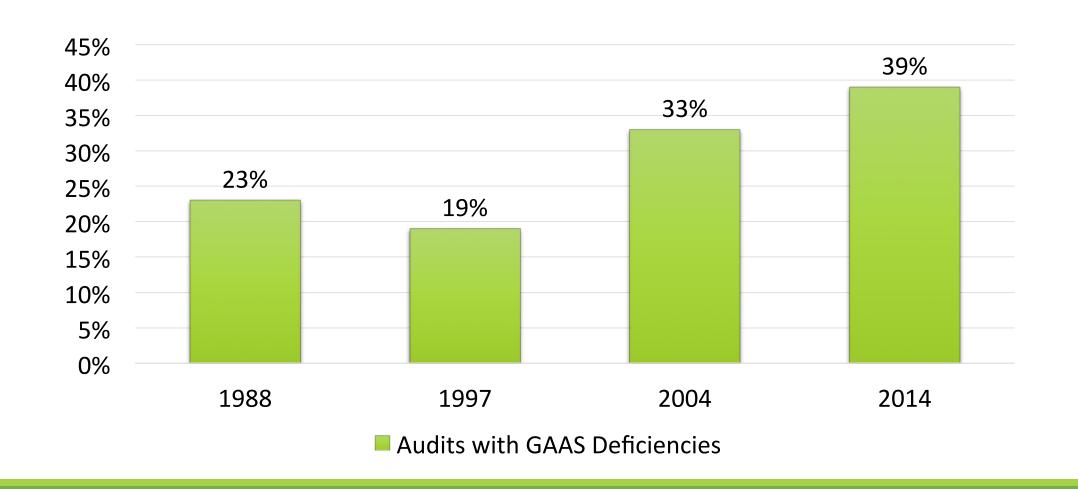
- Released 5/28/2015
- Reviewed 400 plan audits from 2011 Form 5500 filings
- Six strata using # of audits per firm
- Random sampled within each strata
- Analyzed licensing and peer review status as part of study

### Key AQS Finding





### Trend of AQS Audits with GAAS Deficiencies





#### Additional AQS Findings

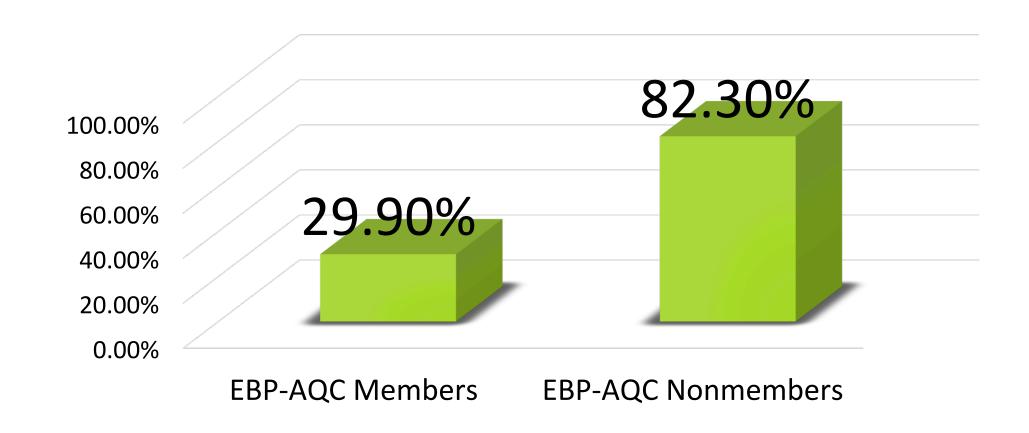
- 17% of audit reports didn't comply with ERISA reporting / disclosure requirements
- The smaller the firm's EBP audit practice, the greater overall deficiency rate and increased number of deficient audit areas
- Decline in quality appears to have some nexus to increased # of limited scope audits
- Concern that peer review and practice monitoring efforts are not improving audit quality or identifying deficient EBP audits

## Audits Containing 5+ Major Deficiencies and Clean Peer Reports

Strata (Audits)	Deficient Audits w/ 5+ Deficiencies and Clean Peer Review Report
1-2	35% (33)
3-5	36% (34)
6-24	37% (35)
25-99	22% (14)
100-749	4% (1)
750+	4% (1)



#### Audit Deficiency Rate by EBPAQC Status





#### DOL Recommendations - Enforcement

- Target for inspection:
  - CPA firms with smaller EBP audit practices and larger \$\$ of plan assets
  - CPA firms auditing 25-99 EBPs due to high deficiency rate and large # of plan participants and \$\$ of plan assets at risk
- Work more closely with NASBA and State Boards
- Amend ERISA to allow penalties against audit firms
- Peer review
  - Work with AICPA to streamline and improve peer review to improve quality
  - Ensure EBP audit firms undergo peer review
  - Refer audit firms without acceptable peer review to Boards of Accountancy

### DOL Recommendations – Regulatory / Legislative

- Amend ERISA definition of "qualified public accountant" to include additional requirements and qualifications
- Repeal limited-scope audit exemption or further regulate use
- Amend ERISA to give Secretary of Labor authority to establish accounting and auditing principles for EBPs

#### DOL Recommendations - Outreach

- Work with NASBA / State Boards to encourage requirement of specific licensing requirements for EBP auditors
- Continue outreach activities with plan administrator organizations, plan administrators, CPA firms
- Communicate results of AQS to all Boards of Accountancy stressing need to ensure only competent CPAs perform EBP audits
- Expand outreach to state CPA societies with large number of firms in the 1-5 EBP audit strata, encouraging more training programs

#### Collaborative Effort...



#### Where We Have Been...

Since 2005, DOL made 507 routine referrals

481 to the AICPA

89 to BOAs

Over 65% of referrals to AICPA conclude with issuance of confidential RCA Letter

#### DOL Audit Quality Referrals....

DOL has made 145 referrals

132 to the AICPA

13 to BOAs

Over 65% of referrals to AICPA conclude with issuance of confidential RCA Letter

#### Outcome of Previous Referral Process...



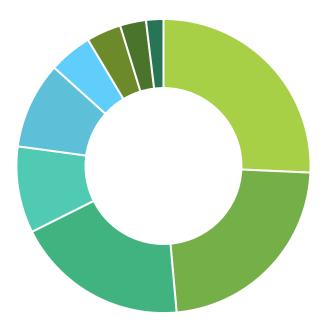
DOL is concerned about the current system, but BOAs need to be involved in ALL cases

The BOAs had no real insight as to the magnitude of the number of deficient audits



#### What Boards Have Done...

#### Actions Taken by Boards of Accountancy



- Closed with Discipline (26%)
- No Record of Referral (19%)
- Closed with No Data Available (10%)
- Closed with Compliance (4%)
- Deceased Respondent (2%)

- In Progress (23%)
- Closed with No Violation (10%)
- Closed Due to Insufficient Evidence (5%)
- Lack of Jurisdiction (3%)

### How to Improve Collaboration and Results...

Improve referral process to ensure the DOL referral information is sent to the appropriate board contact

All DOL referrals should be made to the Boards going forward

Use of Consents to allow sharing of investigative files with Boards by DOL Use of AICPA/BOA
Cooperative
Enforcement Process

AICPA to consider changes to Automatic Sanctioning Guidelines that are triggered upon Board action

#### Next Steps...

Continue dialogue with DOL and AICPA to establish process for making referrals

Provide relevant consent forms for Boards to use when opening a complaint to allow DOL and/or AICPA to share investigative files

Work to improve communication among the DOL, Boards, AICPA and NASBA

Monitor progress being made on DOL referrals



#### More to Come...

Look for email to EDs from NASBA confirming appropriate DOL referral contact NASBA will meet with DOL regarding consents needed to share files and proper referral process









Detailed information will be shared with Boards on AICPA/BOA Cooperative Enforcement effort

Input from Boards will continue to be obtained and shared

### QUESTIONS?

