

# DOL Audit Quality Study Update

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# DOL EBSA Audit Quality Study

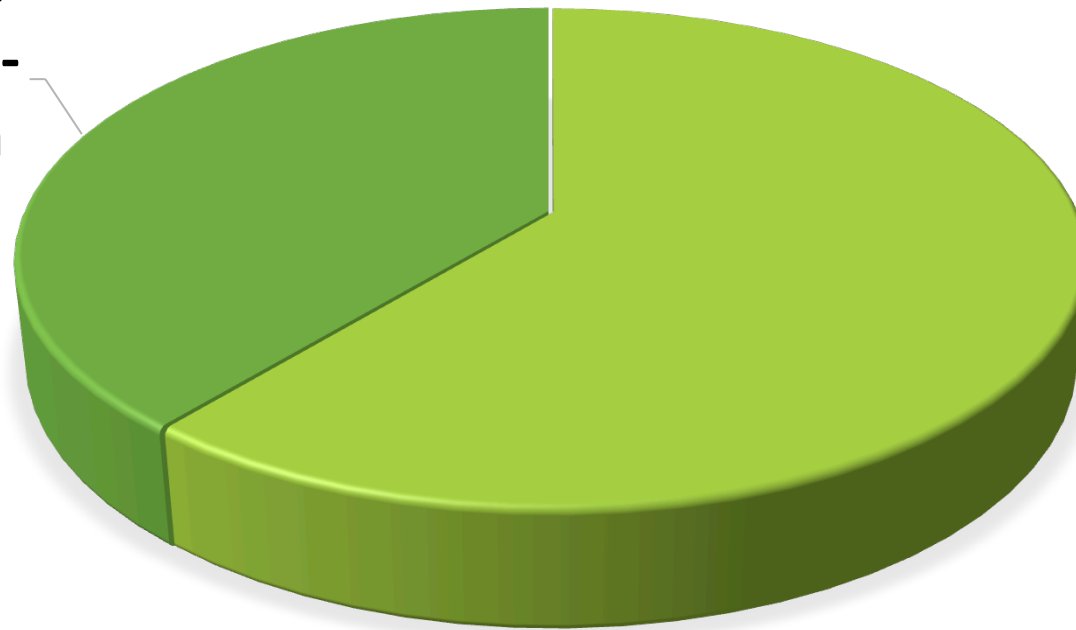
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- Released 5/28/2015
- Reviewed 400 plan audits from 2011 Form 5500 filings
- Six strata using # of audits per firm
- Random sampled within each strata
- Analyzed licensing and peer review status as part of study

# Key AQS Finding

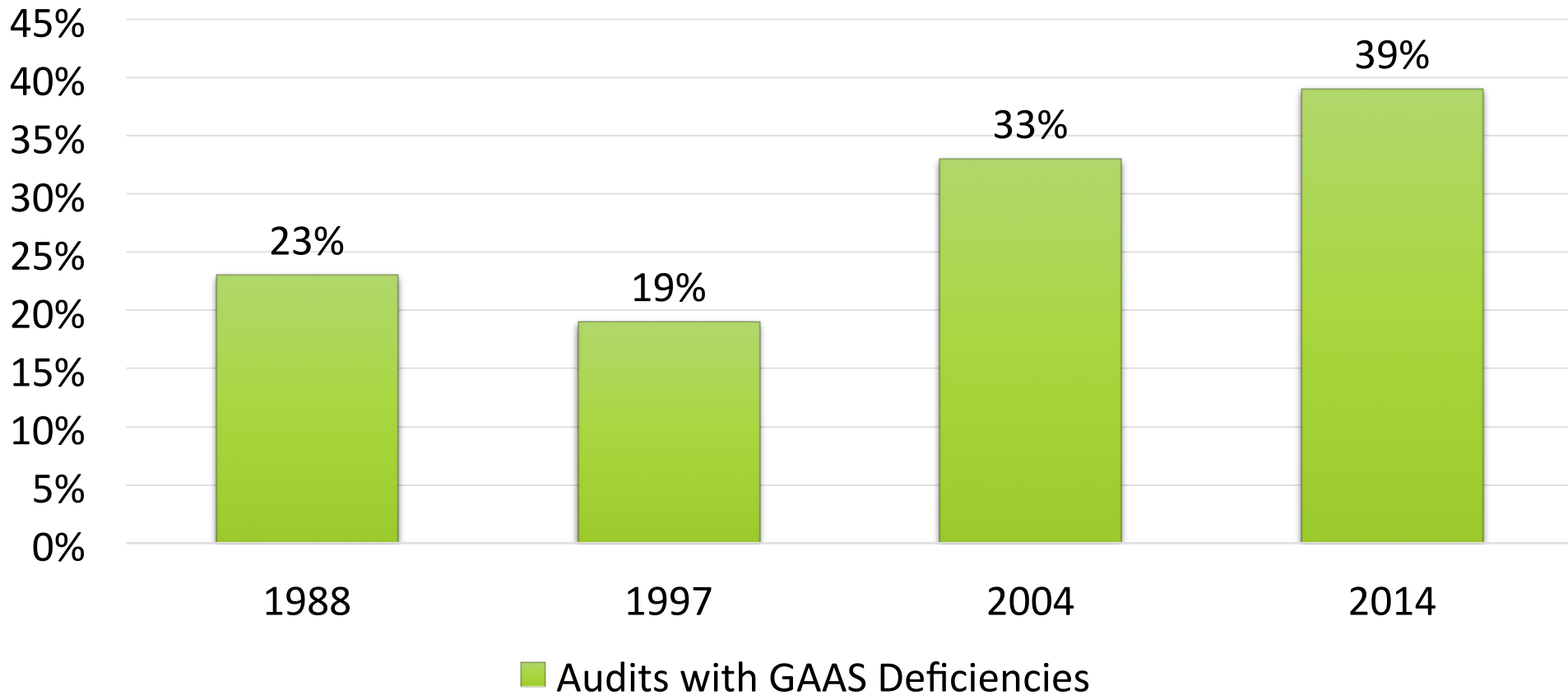
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**Major GAAS  
Deficiencies -  
Reject Form  
5500 (39%)**



**Compliant or  
Minor  
Findings  
(61%)**

# Trend of AQS Audits with GAAS Deficiencies



# Additional AQS Findings

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- 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

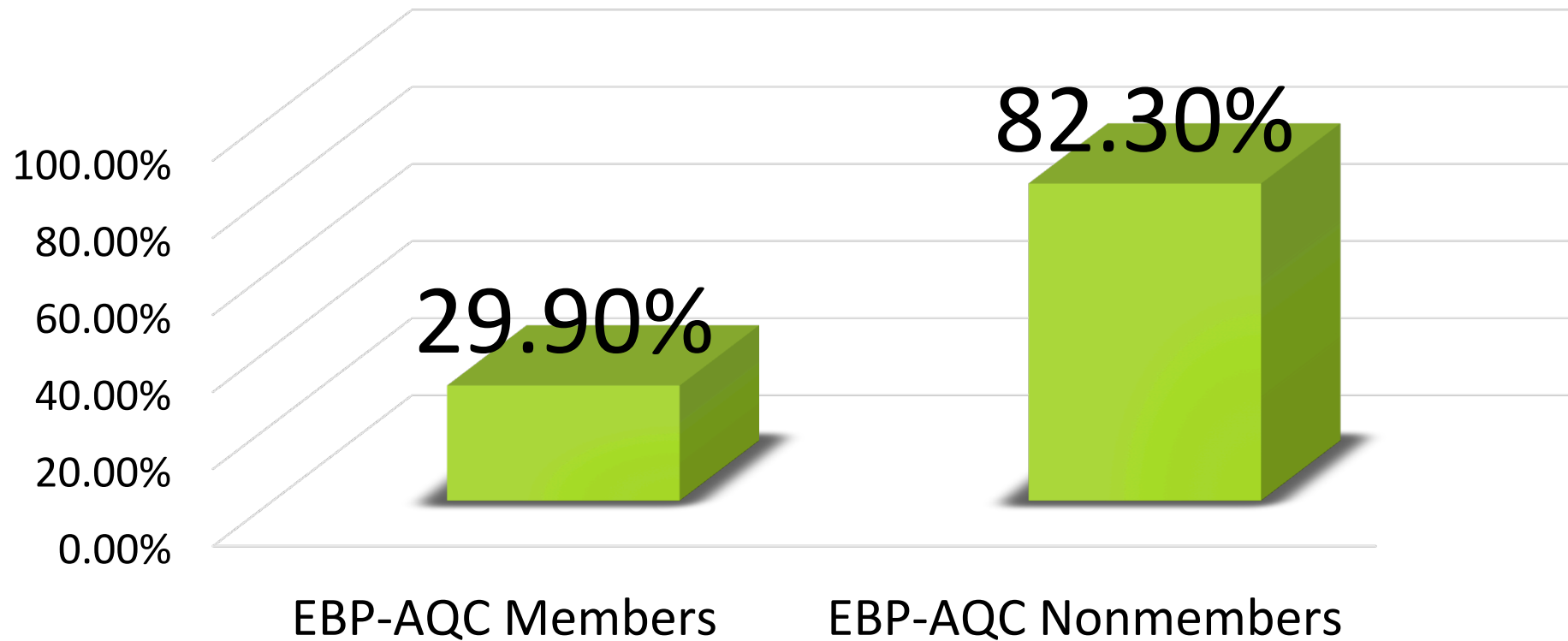
# Audits Containing 5+ Major Deficiencies and Clean Peer Reports

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<b>Strata (Audits)</b>	<b>Deficient Audits w/ 5+ Deficiencies and Clean Peer Review Report</b>
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

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# DOL Recommendations - Enforcement

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- 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

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- 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

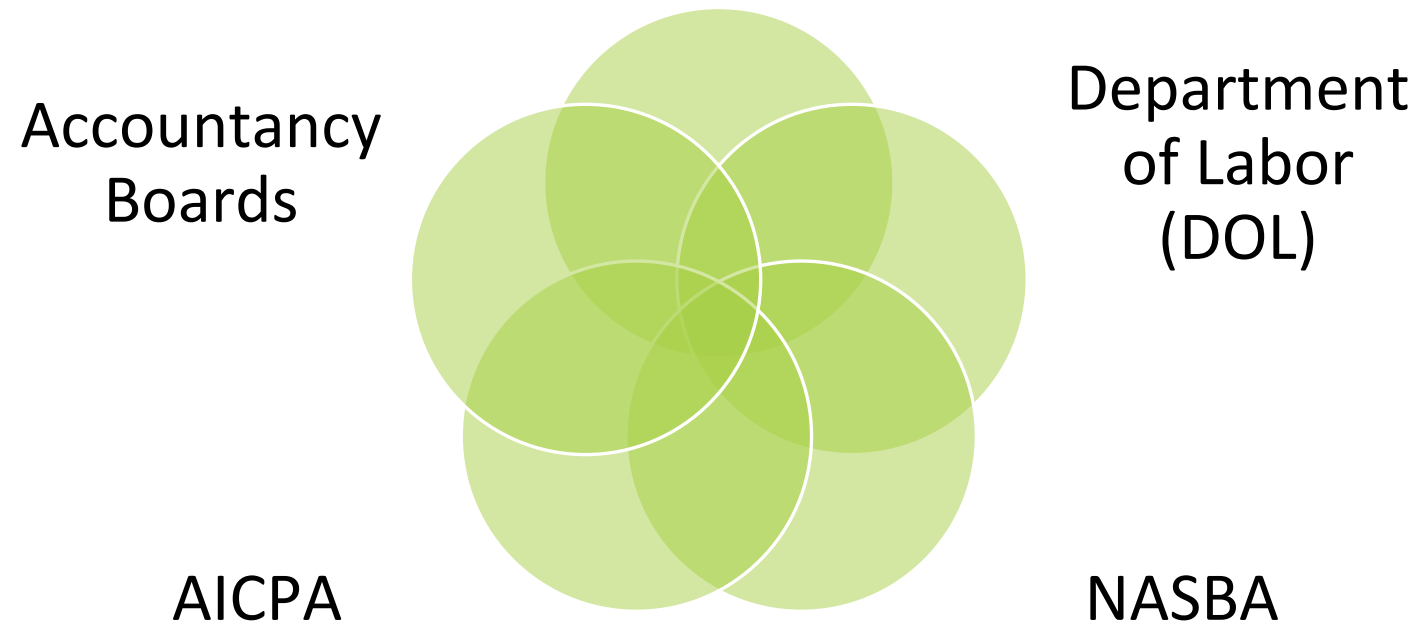
# DOL Recommendations - Outreach

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- 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...

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# Where We Have Been...

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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....

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DOL has made 145 referrals

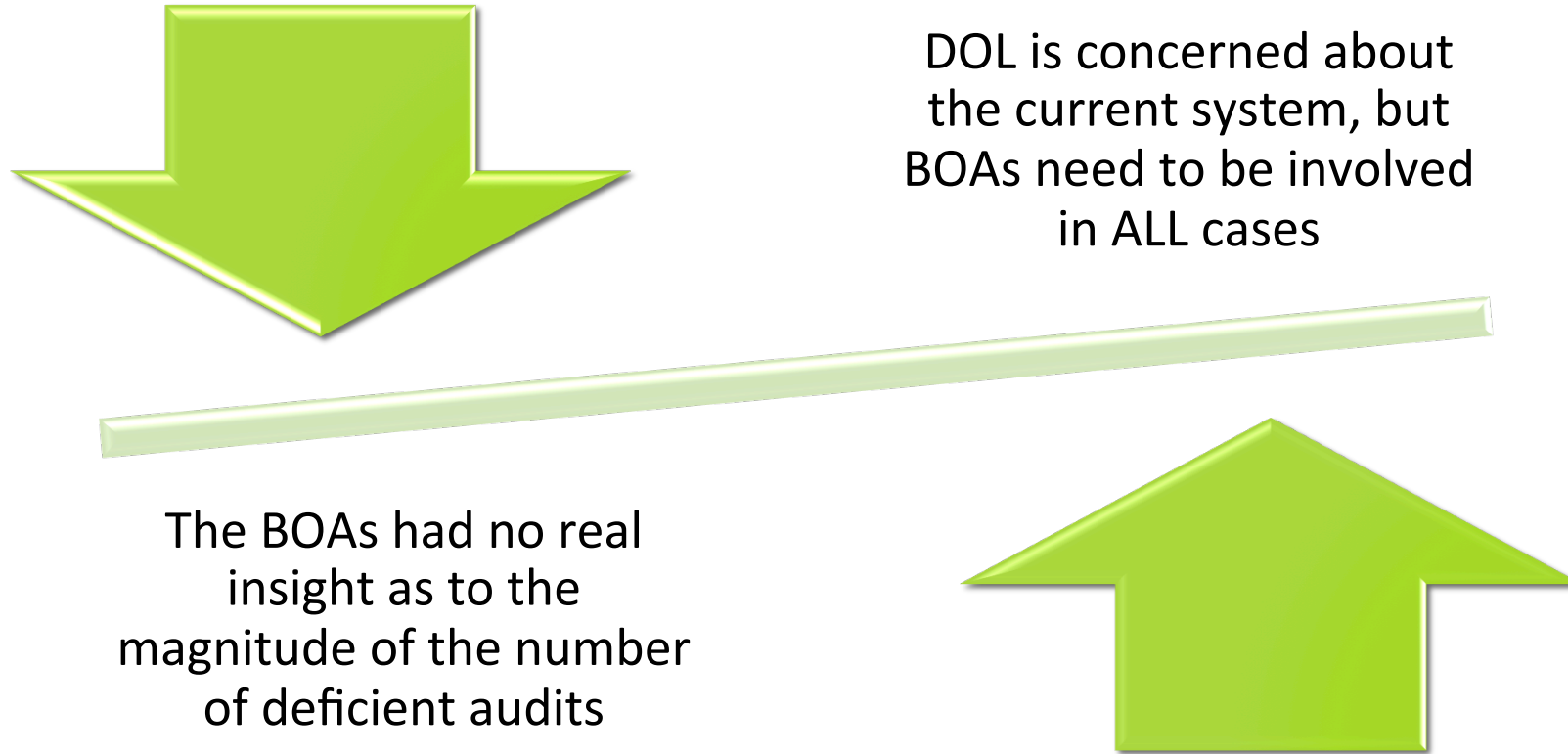
132 to the AICPA

13 to  
BOAs

Over 65% of referrals to AICPA conclude  
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# Outcome of Previous Referral Process...

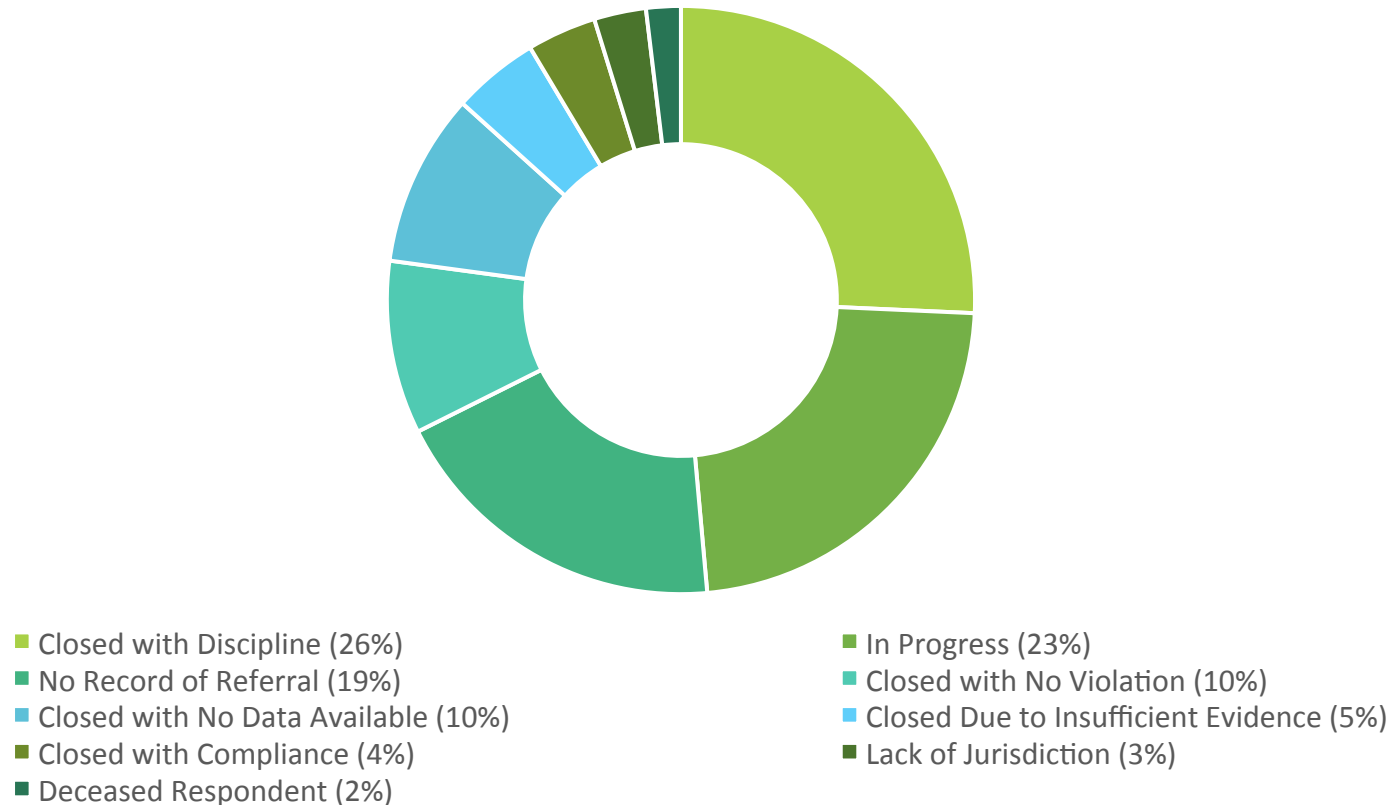
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# What Boards Have Done...

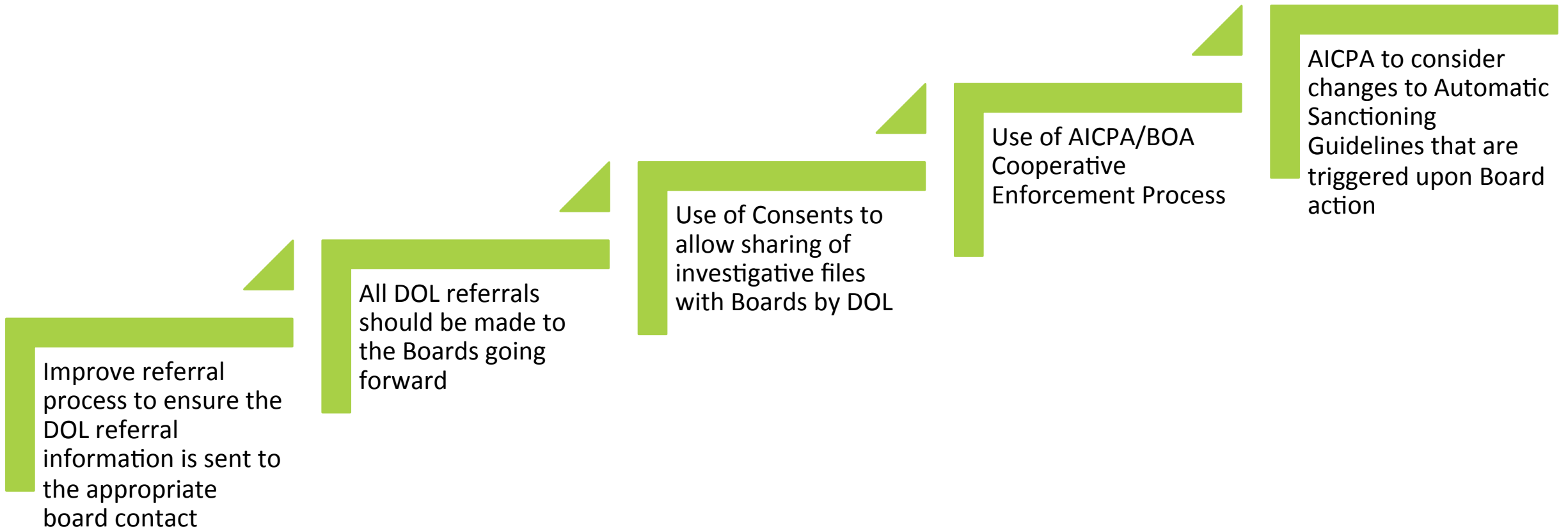
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Actions Taken by Boards of Accountancy



# How to Improve Collaboration and Results...

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# Next Steps...

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

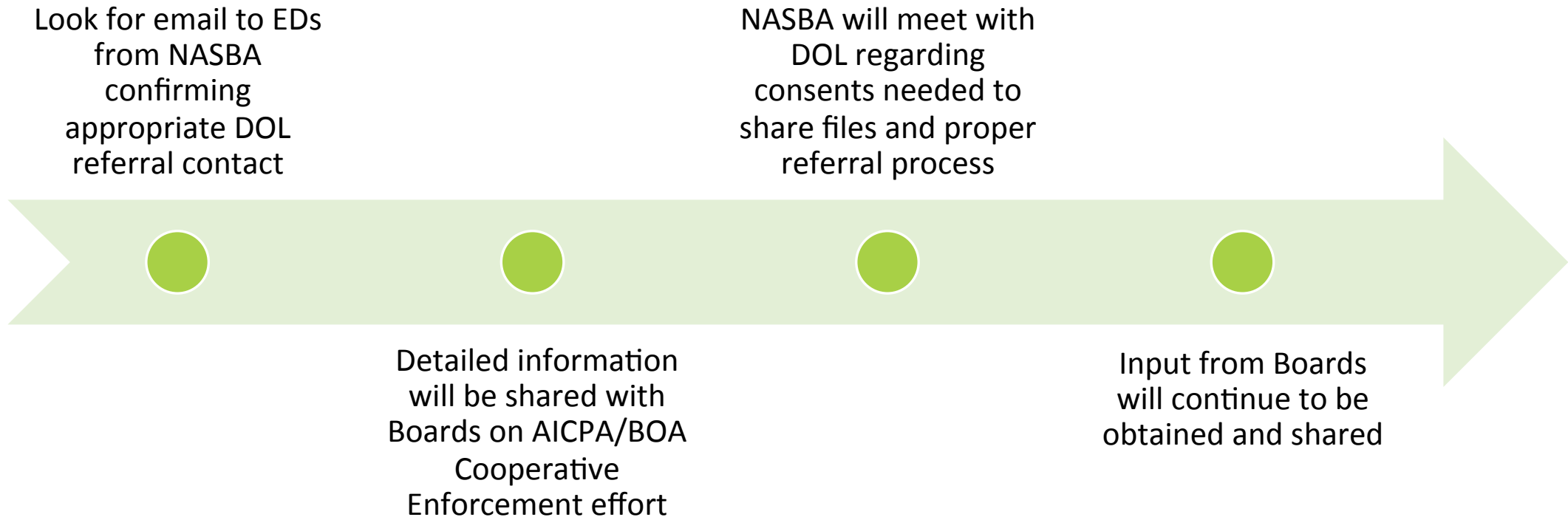
Provide relevant consent forms for Boards to use when opening a complaint to allow DOL and/or AICPA to share investigative files

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

Monitor progress being made on DOL referrals

# More to Come...

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# QUESTIONS?

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