

How to Find the Right Auditor



How to Choose an Auditor for your Retirement Plan

Under Federal law, most employee benefit plans with 100 or more participants must submit audited plan financial statements when they file an annual return/report (commonly called the “Form 5500”). The regulatory environment for a retirement plan, which effectively encompasses the IRS, the Department of Labor, and possibly state regulators is a unique world with a stream of new regulations that may seem endless as well. For these reasons and more, selecting an auditor is a key aspect of running a plan. A well performed audit is a vital protection for your employee benefit plan. It is in your best interest and that of your plan participants to maximize the value of the audit process. The following material will assist you, as plan administrator, in selecting an auditor and reviewing the audit work and report.

“The DOL noted that firms with membership in the AICPA EBPAQC had fewer audit deficiencies. By contrast, most CPAs performing the fewest audits and showing the most deficiencies were not members.” –U.S. Department of Labor

When looking for a quality, independent auditor, you may start by asking for references and discuss the quality of work with other retirement plan clients. Ask the firm about recent training and continuing education specific to employee benefit plans. Another simple way to compare quality auditors with one another is to search for the firms that are members of the AICPA Employee Benefit Plan Audit Quality Center (EBPAQC). These firms have made a voluntary commitment to audit quality by adhering to higher standards in their policies, procedures and training. At a minimum, auditors for these plans must be licensed or certified as public accountants through a state authority.

When seeking an auditor, you must know how to evaluate knowledge and experience, licensing and ability to perform tests unique to employee benefit plan audits. Such tests include:

- Finding whether plans assets covered by the audit are fairly valued
- Unique aspects of plan obligations
- Timeliness of plan contributions
- How plan provisions affect benefit payments
- Allocations to participant accounts
- Issues that may affect the plan’s tax status
- Transactions prohibited under ERISA

Communication is Critical

One of the main components of a successful and stress-free audit is communication. There are various parties involved with different information, and making sure everyone is on the same page is critical. Ideally, the Auditor will coordinate communication with the Plan Administrator (You), the Third Party Administrator, and the Plan Trustee. The Auditor will be proactive in obtaining missing information so that deadlines can be met in a timely manner. The Plan Administrator should expect to deliver an initial set of documents, answer initial questions about the Plan and employees, and then be available for follow up questions as they arise. The Plan Administrator should not have to play referee with all of the parties and stress about chasing down or explaining information.

