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Torrillo & Associates

Benefit Plan Audit Specialists

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**DOL Releases 2023 Audit
Quality Study**



The DOL released its [2023 Audit Quality Study](#) based on the plan year 2020 Form 5500 filings. This is the 4th Audit Quality Study performed. The previous studies were performed by in 1997, 2004 and 2015.

According to the Office of the Chief Accountant, the primary objective of the studies are to assess the quality of audit work performed by auditors to ensure that participants and beneficiaries are receiving the statutory protections that the audits of employee benefit plans are intended to provide.

The most recent statistically based nationwide study on audit quality was released in November 2023. The [formal report](#) was posted on the DOL's website on December 5, 2023. One should review the full 2023 Audit Quality study to ensure the proper context, findings and recommendations of the DOL.

The overall deficiency rate in the 2023 Audit Quality Study was 30% compared to the deficiency rate of 39% in the [2015 study](#). The deficiency

rates stratified based on the number of audits performed by the auditor were as follows:

		Audit Quality Study	
		Audits with Deficiencies	
Strata		2023	2015
1-2 Plans		70.0%	75.8%
3-5 Plans		51.2%	68.4%
6-24 Plans		50.1%	67.4%
24-99 Plans		38.0%	41.5%
100-749 Plans		18.6%	12.0%
750+ Plans		17.0%	12.0%
Total		30.0%	39.0%

While the 2023 Audit Quality Study showed an overall improvement in audit quality since the prior study, the Chief Accountant of the DOL noted that it was “very troubling” that the deficiency rates in those firms which perform 100-750 plan audit, and those which perform over 750 plan audits increased to 18.6% and 17.0%, respectively from 12.0% in the 2015 study. The firms in these strata perform almost 50% of plan audits and audit over 86% of plan assets.

The DOL gives many recommendations related to enforcement and outreach in its 2023 Audit Quality Study, including working with state licensing boards/AICPA Ethics Division to improve the sanctioning

process; encouraging the AICPA to require firms performing benefit plan audits to receive an engagement review covering a sample of their benefit plan audits; and encouraging the National Association of State Boards of Accountancy (NASBA) to require specific licensing requirements for CPAs who perform employee benefit Plan audits.

According to the 2023 Audit Quality Study, the number of CPA firms performing audits for the 2020 Form 5500 dropped 39% to 4,300 firms from the 7,330 firms performing audits in 2011. The number of CPA Firms performing audits for the 2021 Form 5500 fell an additional 8% in one year to 3,940. The oversight by the regulators and a specific focus on practitioners who perform employee benefit plan audits by State Boards of Accountancy and Peer Reviewers seems to have resulted in many practitioners leaving the industry and this trend appears to be continuing.

The DOL plans to continue direct outreach to plan sponsors, auditors and state boards of accountancy stressing the importance of hiring quality benefit plan auditors, (see the DOL's [Selecting an Auditor for your EBP](#)).

The head of EBSA recently stated that good benefit plan auditors have these 5 key traits:

- A top-down commitment to audit quality standards;
- An audit pedigree in the firm and that audit, not tax or other, personnel perform the audit;
- An employee benefit plan pedigree as auditors need specialization and expertise in employee benefit plans;

A robust internal inspection program where someone is looking at the quality of the audits; and

- Knowing when to say no. Auditors should not accept engagements for which they do not have the expertise.



The DOL also expects to perform another study some time after the adoption of SAS No. 136 to see if audit quality has improved as a result of the new standards.



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in

10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

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