

7 Things to Look for In Your Benefit Plan Audit Specialist

*A benefit plan audit specialist will
make the benefit plan audit
process quick and easy for you*

**Torrillo &
Associates**
Benefit Plan Audit Specialists

A Benefit Plan Audit Isn't Just Any Financial Audit

Unique requirements and strict standards imposed by the Department of Labor make benefit plan audits a very specialized process. In fact, a recent Department of Labor study found serious problems with nearly **30% of employee benefit plan audits** – putting approximately \$927 billion and 11.7 million plan participants at risk. *

The DOL study validates that CPAs and plan sponsors that are not adequately aware of the specific audit requirements and standards related to employee benefit plans fail to comply with professional standards.

* (November 2023 Department of Labor Audit Quality Study)

A Benefit Plan Audit Specialist is the Difference Between a Headache and a Hand Off

Not all CPA firms are benefit plan audit specialists.

Firms that try to fit benefit plan audits into their long list of services often end up assigning these audits to less experienced personnel. Do you want an inexperienced staff person handling the audit of your employee benefit plan?

A benefit plan audit specialist will quarterback the audit process for you. They will...

- **Take the lead.** Specialists will work with third parties to ensure the correct information is received in a timely manner, so you do not have to spend your day flagging down information.
- **Play the clock in your favor** by scheduling the audit at a time that is convenient for your human resources and accounting departments.
- **Game plan the audit strategy** by looking at past audits, guiding you through any current issues, and making a game plan to efficiently complete the audit.

7 Things A Benefit Plan Audit Specialist will do:

#1: Perform 25+ Benefit Plan Audits per year

Why 25? The DOL found that firms that perform less than 25 benefit plan audits have over a 50% deficiency rate. Furthermore, CPA firms who performed between 1-5 benefit plan audits had a significantly higher deficiency rate than firms performing 100 or more benefit plan audits.

It's simple - the more benefit plan audits you do - the better you are. Benefit plan audits cover many different types of plans and requirements. It is easy to miss something if you aren't familiar. And just because the firm does a lot of benefit plan audits, does not mean the staff doing the audit work on your plan do.

Ensure that the staff on your engagement are Benefit Plan Audit Specialists and are familiar with:

- Your type of plan - 401(k), 401(a), 403(b), pension, or other types of employee benefit plans
 - ERISA, DOL and IRS rules and regulations for employee benefit plans
 - Specific accounting and auditing issues related to:
 - Eligibility
 - Auto-enroll and auto escalation
 - Deferrals
 - Definition of compensation
 - Employer match
 - Investment valuation
 - Participant loans
 - Distributions
 - Hardships
 - Vesting
 - Forfeitures
 - Related party and parties in interest transactions
 - ERISA Section 103(a)(3)(C) audit considerations
 - Compliance matters including:
 - Form 5500 reporting issues
 - Late remittances
 - Prohibited transactions
 - DOL and IRS examinations
 - DOL and IRS correction programs
 - Unrelated business income tax
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#2: Enhance Their Expertise Through Training & Volunteering

Accounting and auditing standards for benefit plan audits have been changing at a rapid rate. It is important to stay on top of those changes. The DOL found that training targeted at audits of employee benefit plans can contribute to better audit work.

Ask your benefit plan auditors if they:

- Receive annual EBP training on benefit plans to stay up to date with the latest standards and requirements.
 - Have attended a state or AICPA conference on employee benefit plans.
 - Are members of the AICPA Employee Benefit Plan Audit Quality Center (EBPAQC): A voluntary membership organization for firms that perform ERISA plan audits. The EBPAQC prepares many resources and has tools available to its members aimed at helping members stay current.
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#3: They Are Licensed to Practice in Your State

It's simple: Don't hire a benefit plan audit specialist unless they are able to perform audits in your state.

Each state has different licensing requirements regarding the performance of attest or audit services by CPA firms and individual CPAs. Many (but not all) states have adopted mobility legislation which is a practice privilege that generally permits a licensed CPA in good standing from a substantially equivalent state to practice outside of his or her principal place of business without obtaining another license. If your firm is not aware of the licensing requirements in your state, that is a red flag which is putting your benefit plan audit at risk.

Check that firm and individual CPA licenses are in good standing with the applicable state board of accountancy.

#4: Possess a Squeaky-Clean Record From the DOL

Benefit plan auditors are subject to examinations by the DOL. The DOL inspects auditors for quality and adherence to benefit plan audit standards. A benefit plan audit specialist should have a clean reputation.

Here is our simple advice (referrals or actual action taken):

- If a firm is the subject of any prior DOL actions for poor quality work – you may want to consider a different benefit plan auditor.

- If a firm has been disciplined by a state board of accountancy or the American Institute of CPAs for poor quality work— consider a different benefit plan auditor.

#5: Have Positive Peer Reviews

Peer reviews are an industry standard practice where audit work is reviewed by another qualified CPA firm. Peer reviews help to hold firms accountable to each other. They indicate that the firm is doing things by the book.

In fact, if the firm does not have a peer review, they should not be doing audits. They do not have the proper qualifications.

#6: Demonstrate That They Have Cybersecurity Procedures in Place to Protect Your Data

To properly perform audit procedures around eligibility, contributions and distributions, the auditor needs personally identifiable information (PII) for your company's employees such as name and date of birth as well as compensation information. Benefit plan auditors need to demonstrate that they have cybersecurity procedures in place to protect the PII used in the benefit plan audit such as having penetration testing, vulnerability assessments, and social engineering assessments performed.

Many other auditors are sending information overseas to outsourced personnel to perform detailed testing. Will the auditor ask your permission before they send your data to third-parties or personnel based outside of the U.S.A? If so, does the auditor have processes in place to ensure your data will be protected?

Also, many recordkeepers and payroll providers also have legal restrictions as to the use and dissemination of their reports. Does the auditor have legal permission from all the necessary parties to send such information to their outsourced partners? If such permissions have not or cannot be obtained, what are the ramifications to the auditor and the Plan sponsor?

#7: A Commitment to Employee Benefit Plan Audit Quality

In its publication, *Selecting an Auditor For Your Employee Benefit Plan*, the DOL states that a good quality audit will help protect the assets and financial integrity of your employee benefit plan and provide the plan administrator with information to help

ensure that the necessary funds will be available to pay for retirement, health and other promised benefits. It also states that a quality audit also will help a plan administrator carry out the legal responsibility to file a complete and accurate Form 5500 Annual Return/Report. Plan sponsors are cautioned that selecting an auditor for their benefit plan should not be driven by low fee quotes. In fact, low fees may be a warning sign that the auditor's approach may be deficient.

Membership in the EBPAQC is a good indicator of a firm's commitment to employee benefit plan audit quality. Membership in the EBPAQC requires firms to adhere to robust membership requirements that are intended to ensure that high quality employee benefit plan audits. The membership requirements include ongoing employee benefit plan-specific continuing professional education and adherence to certain quality control policies. It should be noted that in its Audit Quality Study issued in November 2023, the DOL states that audits performed by members of the AICPA EBPAQC had a significantly lower deficiency rate compared to non-EBPAQC members that were examined in the study.

Membership in the EBPAQC combined with strong quality management policies and procedures that include internal inspection procedures specific to the firm's employee benefit plan audits demonstrate a firm's commitment to employee benefit plan audit quality.

Protect Your Employees and Your Company — Hire a Benefit Plan Audit Specialist

If your benefit plan year end is coming near – don't just hire any CPA firm, reach out to a benefit plan audit specialist to start planning your annual audit. A quality benefit plan audit specialist will help you to make strategic improvements to not only your employee benefit plans, but also to your internal controls and plan operations.

At Torrillo & Associates, LLC, we specialize in audits of employee benefit plans. Since we work on benefit plan audits every day we can focus on compliance because we are familiar with the numerous and complex rules and regulations of ERISA and the IRS. All our personnel are benefit plan experts who can offer solutions to issues as they arise. We pride ourselves on providing responsive service.

We are considered experts in the benefit plan audit industry. Our Managing Member, Dave Torrillo, is currently serving on the AICPA Practice Monitoring Task Force for Employee Benefit Plans and has served on the AICPA Employee Benefit Plans Expert Panel and as a member of the AICPA EBPAQC Executive Committee and chair of the PICPA Professional Ethics Committee. Our Director of Quality, Julie Verrekia, assists the AICPA in writing the *Audit and Accounting Guide for Employee Benefit Plans* and has assisted the AICPA in developing the teaching material and examinations for the AICPA's Advanced

Employee Benefit Plan certificates. Dave Torrillo and Julie Verrekia also serve on the Pennsylvania Institute of Certified Public Accountants ("PICPA") Employee Benefit Plans Committee. Both Dave and Julie are frequent speakers at industry conferences. Their involvement with these leaders in the industry keeps our clients current on the latest developments with employee benefits plan accounting, auditing, reporting, and regulatory matters.

The results speak for themselves. We have been inspected by the DOL under the Employee Benefit Security Administration's Audit Inspection Program (our most recent inspection performed in August 2022), and our audit work was found to be acceptable with no deficiencies noted in our work. In addition, our firm's most recent peer review report received a pass rating with no comments.

We are currently licensed specifically as a firm in Pennsylvania, New Jersey, New York, California, Connecticut, Florida, North Carolina, Missouri, Georgia, and Minnesota with practice privileges in numerous other states that have adopted firm mobility.

At Torrillo & Associates, LLC we have robust cybersecurity policies and procedures in place to protect the information that we receive. In addition, we do not outsource or send information overseas. All our personnel work for us in the U.S.A.

At Torrillo & Associates we demonstrate our commitment to employee benefit plan audit quality every day. Benefit plan audits are all we do so our internal quality management policies and procedures are laser focused on employee benefit plan audit quality. We take our part in protecting plan participants and helping plan sponsors seriously. Our dedication to the specialty comes from the top. Our Managing Member and Directors have combined experience of over 100 years specializing in employee benefit plan audits. In addition, Torrillo & Associates has been a member of the EBPAQC since its inception in 2005. Lastly, we enjoy performing benefit plan audits and we think you will notice that in the service we provide.

Contact us for more information on how we can help you with your benefit plan audits:

Torrillo & Associates | Benefit Plan Audit Specialists

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