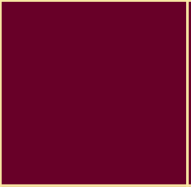
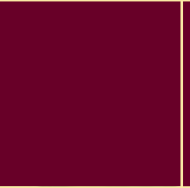
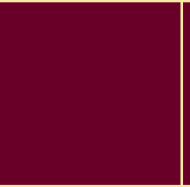
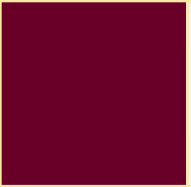
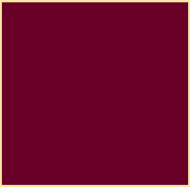
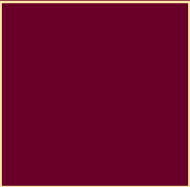


# SELECTING AN AUDITOR FOR YOUR EMPLOYEE BENEFIT PLAN



## SELECTING AN AUDITOR FOR YOUR EMPLOYEE BENEFIT PLAN

Generally, Federal law requires employee benefit plans with 100 or more participants to have an audit as part of their obligation to file an annual return/report (Form 5500 Series).<sup>1</sup> If your employee benefit plan is required to have an audit, one of the most important duties of the plan administrator is to hire an independent qualified public accountant. The sponsor of the plan is the plan administrator under the law unless another individual or entity is specifically designated to assume this responsibility. The following material will assist you, as plan administrator, in selecting an auditor and reviewing the audit work and report.

### Selecting an auditor

Why is the choice of an auditor important?

A quality audit will help protect the assets and the financial integrity of your employee benefit plan and ensure that the necessary funds will be available to pay retirement, health, and other promised benefits to your employees. A quality audit also will help you carry out your legal responsibility to file a complete and accurate annual return/report for your plan each year. Because an incomplete, inadequate, or untimely audit report may result in penalties being assessed against you as the plan's administrator, selection of an experienced and reliable auditor is very important.

Is a plan auditor required to be licensed or certified?

Federal law requires that an auditor engaged for an employee benefit plan audit be licensed or certified as a public accountant by a State regulatory authority.

Is a plan auditor required to be independent?

Auditors of employee benefit plans should not have any financial interests in the plan or the plan sponsor that would affect their ability to render an objective, unbiased opinion about the financial condition of the plan.

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<sup>1</sup> Some pension plans with fewer than 100 participants also may be required to have an audit if they fail to meet certain conditions relating to their plan investments, bonding, and disclosure requirements. For more information you should consult with your attorney, plan advisor, or accountant. See [www.dol.gov/ebsa/faqs/faq\\_auditwaiver.html](http://www.dol.gov/ebsa/faqs/faq_auditwaiver.html)

Should a plan auditor have experience in auditing employee benefit plans?

One of the most common reasons for deficient accountants' reports is the failure of the auditor to perform tests in areas unique to employee benefit plan audits. The more training and experience that an auditor has with employee benefit plan audits, the more familiar the auditor will be with benefit plan practices and operations, as well as the special auditing standards and rules that apply to such plans.

In some instances, a less experienced auditor may be assigned to perform routine audit procedures in order to reduce audit costs. When this happens, you should confirm that an experienced employee benefit plan auditor will review his/her work, as well as perform the more complicated audit procedures.

The AICPA's Employee Benefit Plans Audit Quality Center maintains a directory of employee benefit plan auditors who have agreed to meet specific experience, training and practice monitoring requirements. See Resources section.

Should I request references and check licenses?

When engaging an auditor, you may wish to obtain references and discuss the auditor's work for other employee benefit plan clients. If you have additional questions, you may also wish to verify with the appropriate State regulatory authority that the provider holds a valid, up-to-date license or certificate to perform auditing services.

## What you should know about the audit

What is an engagement letter?

In preparation for the audit, the auditor will prepare a contract, referred to as an "engagement letter," describing the audit work to be performed, the timing of the audit, and fees. This letter also should describe the responsibilities of the auditor and the plan administrator. You should review this letter carefully and resolve any questions with the auditor prior to engagement.

Can I limit what the auditor reviews?

Federal law permits the administrator of an employee benefit plan to limit an audit when plan assets are held by banks or insurance companies and written certifications are provided by the institutions holding those assets.

You should consult with your accountant, attorney, or plan advisor to determine whether limiting the scope of an audit is appropriate for your plan.

Will I have to furnish or prepare documents for the auditor?

It is generally the responsibility of the administrator to maintain plan financial and other records. Many of these records will need to be made available to the auditor for review in the course of the plan audit. If a third-party service provider maintains plan records, you will need to arrange for auditor access to these records.

## Reviewing the audit report

What happens when the audit is complete?

At the conclusion of the audit, the auditor will issue a report and state an opinion on the plan's financial statements as well as any schedules required to be included as a part of the plan's annual report filing. Auditors will also report on significant problems, if any were found. The auditor may also suggest ways for you to improve internal controls and plan operations. This is a good time for you to ask questions about the auditor's work.

What questions should I ask the auditor about his/her work?

Frequently audits are found to be deficient because of the failure of the auditor to conduct tests in areas unique to employee benefit plans. Accordingly, you should make sure that your auditor considered the following areas:

- n Whether plan assets covered by the audit have been fairly valued;
- n Whether plan obligations are properly stated and described;
- n Whether contributions to the plan were timely received;
- n Whether benefit payments were made in accordance with plan terms;
- n If applicable, whether participant accounts are fairly stated;
- n Whether issues were identified that may impact the plan's tax status;  
and
- n Whether any transactions prohibited under ERISA were properly identified.

A well performed audit is a vital protection for your employee benefit plan. It is in your best interest and that of your plan's participants to maximize the results of the audit process.

## Resources

Employee Benefits Security Administration  
Office of the Chief Accountant: (202) 693-8360 (not a toll-free number)

Web sites: [www.dol.gov/ebsa](http://www.dol.gov/ebsa)

[www.efast.dol.gov](http://www.efast.dol.gov) (view the Form 5500 at this site)  
EFAST2 Help Line: 1-866-463-3278

Reporting and Disclosure Guide for Employee Benefit Plans  
(View this publication at [www.dol.gov/ebsa](http://www.dol.gov/ebsa). (Click on Publications and Reports.) Or order a copy: 1-866-444-3272)

The American Institute of Certified Public Accountants, Employee Benefit Plan Audit Quality Center: [www.aicpa.org/ebpaqc/homepage.htm](http://www.aicpa.org/ebpaqc/homepage.htm)  
This link does not represent an official EBSA endorsement of AICPA or its members; in addition, EBSA does not guarantee or warranty the services of the auditors appearing in this AICPA-maintained directory.



U.S. Department of Labor  
Employee Benefits Security Administration

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