

5 Questions to Ask Before Selecting a Benefit Plan Auditor

Under federal law, most organizations with an employee benefit plan that has 100 or more participants need to submit audited plan financial statements when they file their annual return or report. This audit helps ensure that the organization is in compliance with the Employee Retirement Income Security Act of 1974 (ERISA). If your organization has 80 or more employee benefit plan participants, it is time to start thinking about hiring an auditor.

Navigating the complexities of employee benefit plan compliance and regulation is challenging for most business owners. That's why it is vital for your organization to select a qualified, professional auditor that focuses on comprehensive, quality audits. Below, we'll dive into why choosing the right auditor is important and which questions you can ask to make sure an auditing firm is a good fit for you.

Why You Need to Carefully Select an Auditor

To protect your organization, it's essential that you work with an experienced employee benefit plan auditor who can accurately perform a detailed audit for your business. A high-quality audit helps protect the organization's assets as well as the financial integrity of its employee benefit plan. The audit will also give the plan administrator the information they need to make sure that the necessary funds will be available to pay for health, retirement, and other promised benefits laid out in the plan.

A quality audit helps the plan administrator improve and streamline plan operations while carrying out their legal responsibility to file a complete and accurate Form 5500 annual return. An inexperienced auditor may overlook or leave an element out of your audit, exposing your organization to potential civil penalties that can result from an incomplete, inadequate, or untimely audit report. By choosing to work with an experienced and reliable auditor that specializes in employee benefit plan audits, plan administrators can get the most out of their audit while avoiding penalties.

Questions to Ask Before Choosing an Employee Benefit Plan Auditor

As you start searching for auditing services, it's important that you know what to look for in a competent and experienced employee benefit plan auditor. Before you choose an individual or firm to audit your employee benefit plan, ask these questions to get a better understanding of their knowledge and experience:

1. Is the firm licensed or certified as a public accountant by a state regulatory authority?

Any auditor that engages in audits for employee benefit plans needs to be licensed or certified as a public accountant by a state regulatory authority. States have different requirements for what this certification or licensing requires. For instance, some states require a peer review report from other licensed auditors.

Before you begin working with an auditor, verify with the state regulatory authority that the individual holds a valid and updated license or certificate to perform auditing services. The auditor must also be independent, with no financial or other conflicts of interest to the plan or plan sponsor that might affect their ability to provide their objective and unbiased opinion on the financial condition of the plan.

2. Does the auditor or firm have experience with employee benefit plan audits?

One of the most common reasons that audits are performed unsatisfactorily is because the auditor has failed to test areas that are unique to employee benefit plans. That's why organizations need to choose an auditor that has a clear understanding of the unique nature of audits for employee benefit plans and has experience performing such audits.

While some organizations make the mistake of relying entirely on pricing to make a decision about which auditor to hire, businesses should focus on hiring an auditor with specific experience and expertise in employee benefit plan audits.

Organizations should also consider whether a firm prioritizes ongoing training with respect to employee benefit plans for their team of auditors.

3. Does the firm have credible references that are specific to employee benefit plan audits?

Credible references are one of the best ways to determine the experience of your auditor and the quality of their auditing services. When evaluating auditors, ask for references that speak to the quality of the auditor's work, especially those that relate to employee benefit plans that are similar to your organization's plan.

If your state requires auditors to have their work independently reviewed by other licensed auditors, you should also ask for the results of this peer review and the firm's response to the peer review. The peer review results will give you a better understanding of the firm's process and the quality of their auditing services.

4. What type of training or continuing education does the firm offer its auditors as it pertains to employee benefit plan audits?

As you evaluate auditors, ask for proof of recent training that is specific to employee benefit plan audits. You may also want to ask for records of continuing professional education. Recent training and education provide evidence that the firm is committed to quality audits by ensuring that their auditing team is up-to-date with the latest best practices in these types of audits.

5. Are they a member of the AICPA Employee Benefit Plan Audit Quality Center?

The American Institute of Certified Public Accountants (AICPA) Employee Benefit Plan Audit Quality Center provides a wealth of information, tools, and resources to help benefit plan sponsors and administrators understand the importance of audit quality. Firms that voluntarily adhere to the Center membership requirements show that they are committed to providing quality auditing services to their clients.

The membership requirements include practice management best practices like up-to-date training, quality control, and self-monitoring. For the sake of transparency, Center members also make their external peer review reports of their audit practice available to the public. If a firm is a member of the AICPA Employee

Benefit Plan Audit Quality Center, this shows that they are dedicated to providing quality audits and staying up-to-date with the latest standards and regulations.

Looking for Employee Benefit Plan Audit Services?

Baldwin CPAs, PLLC provides limited and full-scope audits for employee benefit plans. As a member of the AICPA Employee Benefit Plan Audit Quality Center, we are committed to providing quality audits while staying current on professional standards and regulations associated with these audits. We work with defined contribution plans, including 401(k), 403(b), and profit sharing plans as well as defined benefit plans like pension plans.

Our team of auditors is ready to work with your employee benefit plan to help meet the needs and goals of your organization. If you would like to learn more about our employee benefit plan auditing services, visit our website, baldwincpas.com