



An Analysis of Benefit Plans Auditors

SUMMARY

In 2017, the Chief Evaluation Office (CEO) partnered with the [Employee Benefits Security Administration](#) (EBSA) and funded contractor Summit Consulting to conduct An Analysis of Benefit Plans Auditors. The statistical analysis aims to analyze trends in employee benefit plan audit quality, particularly when plan administrators change certified public accountant (CPA) firms. Researchers performed a trend analysis of plan administrators' CPA selection and switching behavior between Plan Years 2011 and 2015 using Form 5500 filing data and audit reviews conducted by EBSA.

EBSA requires annual auditing of all employee benefit plans, and plan administrators engage CPAs to conduct the audits. To confirm audit quality each year, EBSA reviews a subset of the audits, conducts site visits to CPAs performing over 100 audits, and performs other outreach activities. A 2015 Audit Quality Study found that deficiency rates of audits conducted in 2011 varied greatly by the size of the CPA's benefit plan practice. CPA firms completing between one and two audits per year had a 76% deficiency rate, compared to a 12% deficiency rate for firms performing at least 100 audits per year.

This Department of Labor-funded study was a result of the annual learning agenda process. It contributes to the labor evidence-base to inform [data and reporting](#) programs and policies and addresses Departmental strategic goals and priorities.

KEY TAKEAWAYS

- **Employee benefit plan practice size was the strongest predictor of CPA firm exit from the industry.** A firm was considered to have “exited” the plan audit industry if it performed audits in the previous filing year but not the current filing year. Receiving a major deficiency from EBSA based on review of audit work papers also predicted CPA exit when controlling for employee benefit plan practice size. An EBSA review alone had no statistically significant association with CPA exit when controlling for employee benefit plan practice size and major deficiency in the model.
- **On average, 7.5% of employee benefit plans switched CPA firms every year.** Switch rates did not show significant differences across plan entity type or plan assets. Switch rates were highest for plans that chose CPA firms that audited fewer than six plans per year. Switch rates continued to decrease as plans chose CPA firms that performed more benefit plan audits.
- **Plans with an audit that received a major deficiency of audit work papers were more likely to switch CPA firms than all other plans.** When controlling for plan and CPA characteristics, EBSA review alone did not increase the likelihood of switching CPA firms. Larger plans were less likely to switch CPA firms following a negative EBSA review than smaller plans. Plans that did switch



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were switching away from CPAs that audited very few employee benefit plans and toward CPAs that audited more employee benefit plans.

[SEE FULL STUDY](#)

TIMEFRAME: 2017-2019

PARTNER AGENCY: Employment Benefits Security Administration (EBSA)

SUBMITTED BY: Summit Consulting

SPONSOR: Chief Evaluation Office

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