

DOL Audit Quality Study- Summary of Frequent “Unacceptable, Major” Audit Deficiencies

The EBPAQC prepared this summary of frequent (5 or more) deficiencies noted by the Department of Labor (DOL) in its review of 400 ERISA plan audits and which DOL deemed the finding to be an “unacceptable, major” deficiency with respect to one or more relevant GAAS requirement. Deficiencies found in 20 or more audits (5% of total audits reviewed by DOL) are in bold. (Source: DOL Employee Benefits Security Administration (EBSA) report, [Assessing the Quality of Employee Benefit Plan Audits \(May 2015\)](#))

Description of “Unacceptable, Major” Deficiency

Investments

Full scope audit:

- 18 Failure to test investment transactions
- 14 Failure to test investment income
- 7 Failure to test end of year asset values
- 5 No evidence of work performed

Limited scope audit:

- 10 Audit workpapers do not contain the certification
- 6 Failure to adequately test change in service provider
- 5 Certifying entity does not qualify for limited scope

Notes receivables

- 30 No/inadequate testing of compliance with plan**
- 21 No work performed**
- 7 No review of supporting loan documentation
- 5 No/inadequate testing for determination of delinquent loans that should be reported as deemed distributions

Contributions Received & Receivable

- 53 Failure to test timely remittance of employee contributions**
- 35 Failure to test compliance with plan compensation provisions**
- 24 No/inadequate testing of use of forfeitures**
- 10 Failure to agree/reconcile contributions to plan sponsor payroll records, employee records, custodian/trust, and/or Schedule H
- 10 No/inadequate testing of rollover contributions (material amount)
- 9 No work performed
- 7 Failure to address testing errors and/or variance and their impact on financial statements
- 5 No/inadequate testing of contribution receivable(s)

Benefit Payments

- 41 **No recalculation of benefit payments**
- 38 **No/inadequate work regarding eligibility of individuals receiving benefit**
- 28 **No work performed**
- 19 No/inadequate work regarding validity of claims
- 10 Inappropriate reliance on SOC1 report
- 9 No/inadequate work regarding forfeitures
- 7 Failure to trace benefit payments to individual participant's account
- 6 No/inadequate work regarding participant receipt of benefit payment
- 6 No/inadequate testing of hardship/in-service benefit payments

Participant Data, Including Individual Participant Accounts

- 89 **Failure to adequately test allocations to participant accounts**
- 73 **No/insufficient testing of payroll data**
- 68 **No/inadequate testing of participant investment options**
- 41 **No reconciliation of total individual participant accounts to total plan assets**
- 35 **Failure to adequately test eligibility, terminations and forfeitures**
- 29 **Failure to test compliance with plan compensation provisions**
- 18 No work performed
- 10 Failure to adequately test change in service provider
- 10 Inappropriate reliance on SOC1 report

Plan Obligations

- 7 No/insufficient testing of census data (defined benefit pension plans)

Parties In Interest/Prohibited Transactions

- 46 **No work performed**
- 39 **Failure to document related parties/parties in interest**
- 29 **Failure to document results of inquiries of management**
- 17 Inadequate work

Plan Tax Status

- 27 **No work performed**
- 20 **No evidence IRS tax compliance tests were reviewed**
- 8 No tax determination letter obtained
- 7 Failure to document results of inquiries with management

Commitments & Contingencies

- 33 **No work performed**
- 12 Failure to document results of inquiries with management
- 8 Inadequate work

Administrative Expenses

- 55 No work performed**
- 7 Inadequate work performed

Subsequent Events

- 42 No work performed**
- 14 Failure to review interim financial information
- 13 Failure to document results of inquiries with management
- 9 Inadequate work performed

Plan Mergers & Terminating Plans

(No instances of 5 or more deficiencies found)

Plan Representations

- 6 Inadequate representations obtained
- 5 Client representations were not appropriately tailored to the plan

Compliance with GAAS & GAAP

- 57 Inadequate footnote disclosures**
- 28 Inappropriate presentation of financial information on financial statements**
- 16 No/lack of ASC 820 Fair Value Measurement disclosures

Compliance with Department of Labor Rules and Regulations for Reporting and Disclosure

- 11 No/inadequate footnote disclosures
- 11 Required supplemental schedules not prepared/attached
- 9 Incomplete Schedule of Assets Held for Investment (e.g., does not include all investments, missing participant loans, no indication of parties in interest, etc.)
- 8 Unsigned audit report
- 7 Delinquent employee contributions not reported/disclosed
- 6 No/Incomplete audit report attached to the plan's Form 5500
- 5 Financial statements do not agree to the Schedule H