



AICPA Employee Benefit Plan Audit Quality Center Planning Tool: Summary of Common EBP Audit Deficiencies, Audit Guidance and Resources

The Employee Benefit Plan Audit Quality Center has developed this document to help EBP auditors identify and address common deficiencies found in employee benefit plan audits found by the Department of Labor (DOL) and AICPA Peer Review program. It describes some of the most common deficiencies noted in EBP audits by plan type, and provides references to suggested audit procedures in the AICPA Audit and Accounting Guide, *Employee Benefit Plans*, and additional tools and resources to assist auditors in addressing these audit areas. This tool is intended to complement the EBPAQC Tool *Common EBP Audit Deficiencies*.

Deficiency Noted	Suggested Audit Procedures Guide* Reference	Additional Resources
All Plan Types:		
<p>Lack of audit documentation of procedures performed</p> <ul style="list-style-type: none"> No or inadequate documentation of audit procedures performed (Note: signing the audit program is not adequate documentation). Noted in all audit areas, but most frequently in internal control assessment, risk assessment, subsequent events, commitments and contingencies, and related parties/parties in interest. 	<p>Paragraphs Chapter 3; 10.09 -10.14; 2.97; 2.106 – 2.116</p>	
<p>Type 2 SOC 1® Report</p> <ul style="list-style-type: none"> No evidence that the auditor reviewed and evaluated the type 2 SOC 1 report to determine the sufficiency and appropriateness of the internal controls at the service organization and user controls documented in the report. Improper reliance on the report due to: <ul style="list-style-type: none"> controls and control objectives relevant to the audit of the plan’s financial statements were not included in the report no evidence of auditor evaluating deficiencies noted in applicable controls tested the report containing a modified opinion no evidence of the relevant complementary user controls were identified and tested No evidence that sufficient substantive audit procedures were performed on transactions covered by the controls. (Note: a type 2 SOC 1 	<p>Paragraphs 4.11 - 4.28</p>	<p>EBPAQC Tools and Resources:</p> <ul style="list-style-type: none"> Documentation of Use of a Type 2 Service Auditor’s Report in an Audit of an Employee Benefit Plan’s Financial Statements Internal Control Resource Center <p>AICPA Publications:</p> <ul style="list-style-type: none"> Practice Aid -- Using an SSAE No. 16 Service Auditor’s Report (SOC 1 Report) in Audits of Employee Benefit Plans

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All Plan Types:		
<p>report may be used to reduce substantive procedures; however, this report is not designed to provide a basis for assessing control risk sufficiently low to eliminate the need for performing any substantive tests.)</p>		
<p>Insufficient audit testing when engaged to perform a limited-scope audit</p> <ul style="list-style-type: none"> • Improper reliance on a certification due to: <ul style="list-style-type: none"> ○ Certifying institution isn't qualified to provide a certification under 29 C.F.R. § 2520.103-8 ○ certification doesn't include the appropriate reference to complete and accurate or not signed • No evidence that sufficient audit procedures were performed in audit areas not subject to the limited scope exception, such as contributions, benefit payments, and participant data. In many cases, the auditor does not understand the limited scope exception and incorrectly assumes that no audit procedures need to be performed in any area, when in fact, the limited scope exception applies only to investments covered by the certification. 	<p>Paragraphs 8.167 – 8.174</p>	<p>EBPAQC Tools and Resources:</p> <ul style="list-style-type: none"> • EBPAQC Limited Scope Audits Resource Center • Limited Scope Audits Primer • Plan Advisory, Employee Benefit Plans – Financial Statement Audits • Documentation of the Auditor's Evaluation of a Limited Scope Audit Certification • Common Deficiencies in Employee Benefit Plan Limited Scope Audit Certifications • Plan Advisory Limited Scope Audits of Employee Benefit Plans
<p>Insufficient audit testing of investments in full scope audits or of investments not covered by the certification in a limited scope audit</p> <ul style="list-style-type: none"> • In a full scope audit, no evidence that sufficient audit procedures were performed to test plan investments for existence, completeness, rights and obligations, and valuation and allocation; but most often the audit testing of plan investment valuation at the plan's year end was insufficient or not performed. • In a full scope audit, no evidence that sufficient audit procedures were performed to address the assertion that all investment principal and income transactions (including net appreciation) are recorded and properly valued in accordance with the applicable financial reporting framework. • No evidence that sufficient full scope audit procedures were performed on investments and applicable investment transactions not covered by a limited scope certification (for example, the plan holds investments at multiple custodians and does not have a certification from each custodian or a custodian "carves out" investments from the certification, or the certification covers only part of the plan year because the plan changed custodians/trustees during the plan year). 	<p>Chapter 8</p>	<p>EBPAQC Tools and Resources:</p> <ul style="list-style-type: none"> • EBPAQC Limited Scope Audits Resource Center • EBPAQC Plan Investments Resource Center • Topix Primer, Alternative Investment in Employee Benefit Plans • Topix Primer, Insurance Company Products Offered to Employee Benefit Plans • Topix Primer, Plan Investments in Bank Collective Investment Trusts • Topix Primer, Stable Value Funds and Investment Contract – An Overview • Plan Advisory, Valuing and Reporting Plan Investments • Plan Advisory, The Importance of Internal Controls in Financial Reporting and Safeguarding Plan Assets

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All Plan Types:		
<p>Failure to obtain appropriate management representations</p> <ul style="list-style-type: none"> No evidence that the management representation letter included representations unique to employee benefit plans, such as acknowledgement of management's responsibility for the presentation of the supplementary information in accordance with the applicable criteria; that management has determined the fair value of significant financial instruments that do not have a readily determinable market value; that plan management has obtained and reviewed a SOC 1 report (if available), and has implemented adequate user controls; and, if the engagement is a limited-scope audit, acknowledgement of the plan administrator's responsibilities as they relate to the completeness and accuracy of the trustee certification. 	<p>Paragraphs 10.16 – 10.22</p>	<p>Illustrative Example:</p> <ul style="list-style-type: none"> AICPA Audit & Accounting Guide, Employee Benefit Plans, Exhibit 10-1
<p>Improper auditor's report issued</p> <ul style="list-style-type: none"> The auditor's report was not properly dated, usually because the report was reissued as a result of additional disclosures or audit procedures but was not dual dated or re-dated. In some instances, the report was dated before sufficient evidence was obtained. The first paragraph of the report did not include within the scope of its opinion the individual financial statements and/or supplementary schedules being reported upon. The auditor failed to opine on all financial statements and/or on supplementary information attached to the financial statements. The auditor did not opine on prior year financial information presented in one or more of the financial statements. 	<p>Chapter 11</p>	<p>Illustrative examples:</p> <ul style="list-style-type: none"> AICPA Audit & Accounting Guide, Employee, Benefit Plans, Chapter 11 AICPA Employee Benefit Plans, Best Practices in Presentation and Disclosure, Chapter 6
Defined Contribution Pension Plans:		
<p>Insufficient testing of allocations to individual participant accounts</p> <ul style="list-style-type: none"> Income allocation – No evidence that sufficient audit procedures were performed to test investment allocations to individual participant accounts. (Note: Auditors frequently incorrectly document that these allocations are covered under the limited scope audit certification and, as such, do not perform appropriate audit procedures on participant allocations.) Participant directed investment options – No evidence that sufficient audit procedures were performed to test participant investment transactions for authorization and that the transactions were executed at the proper amount, in the proper period, and in accordance with the plan document and participant's direction. 	<p>Paragraphs 5.208 - 5.210</p>	<p>EBPAQC Tools and Resources:</p> <ul style="list-style-type: none"> Summary of Key Plan Document Provisions Relevant to a Defined Contribution Retirement Plan Audit

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All Plan Types:		
<p>Failure to evaluate investment contracts for benefit responsiveness</p> <ul style="list-style-type: none"> The auditor failed to identify these types of investments or include the appropriate financial statement disclosures. 	<p>Paragraphs 5.37 – 5.47; 5.226 – 5.227</p>	<p>EBPAQC Tools and Resources:</p> <ul style="list-style-type: none"> Stable Value Investments Resource Center Topix Primer, Stable Value Funds and Investment Contracts – An Overview Topix Primer, Insurance Company Products Offered to Employee Benefit Plans
<p>Insufficient testing of compensation</p> <ul style="list-style-type: none"> No evidence that sufficient audit procedures were performed verifying that the proper definition of compensation was used to calculate employee and employer contributions. No evidence that sufficient audit procedures were performed testing participant compensation and/or hours worked for accuracy. 	<p>Paragraphs 5.233 - 5.242</p>	<p>EBPAQC Tools and Resources:</p> <ul style="list-style-type: none"> Topix Primer, Tax and Compliance Issues for 401(k) Plans Summary of Key Plan Document Provisions Relevant to a Defined Contribution Retirement Plan Audit
<p>Insufficient documentation of consideration of existence of prohibited transactions</p> <ul style="list-style-type: none"> Insufficient documentation of parties in interest (PII) and evaluation of transactions between the PII and the plan for prohibited transactions. 	<p>Paragraphs 2.95 – 2.128; 5.237(I)</p>	<p>EBPAQC Tool:</p> <ul style="list-style-type: none"> Parties In Interest and Prohibited Transactions Resource Center Topix Primer, Employee Benefit Plans – Parties in Interest and Prohibited Transactions Identification of Parties in Interest and Related Parties Documentation of Procedures Performed to Identify Related Parties and Related Party Transactions and Parties in Interest and Party in Interest Transactions Documentation of the Consideration of Potential Prohibited Transactions in an EBP Financial Statement Audit <p>DOL Resources:</p> <ul style="list-style-type: none"> EBSA FAQs about Reporting Delinquent Participant Contributions on the Form 5500

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All Plan Types:		
Insufficient testing of participant benefits, distributions and withdrawals <ul style="list-style-type: none"> No evidence that sufficient audit procedures were performed to address the assertion that the payments were made in accordance with the plan provisions and related documents for benefit payments, hardship withdrawals, in-service withdrawals, and qualified domestic relation orders. 	Paragraphs 5.260 – 5.263	EBPAQC Tools and Resources: <ul style="list-style-type: none"> Summary of Key Plan Document Provisions Relevant to a Defined Contribution Retirement Plan Audit
Defined Benefit Pension Plans:		
Insufficient testing of the accumulated plan benefits <ul style="list-style-type: none"> No evidence that appropriate audit procedures were performed to evaluate the actuary's estimation of the plan's accumulated plan benefits to be sufficiently reliable, including whether it is accurate, complete and sufficiently precise and detailed, as well as the actuary's competence, capabilities and objectivity. No evidence that sufficient audit procedures were performed to test the appropriateness of the census data used in the estimation of the accumulated plan benefits. 	Paragraphs 6.186 – 6.189	EBPAQC Tools and Resources: <ul style="list-style-type: none"> Defined Benefit Pension Plans Resource Center Documentation of Use of An Actuarial Report in an Audit of a Defined Benefit Pension Plan's Financial Statements
Health and Welfare Plans:		
Insufficient testing of claim payments <ul style="list-style-type: none"> No evidence that sufficient audit procedures were performed to assess that claim payments were made in accordance with plan provisions and related documents; claim payments were made to, or on behalf of, persons entitled to them and only to such persons; and claim payments were recorded in the proper account, amount, and period. No evidence that sufficient audit procedures were performed to assess that the claims payable, claims IBNR, and premiums due to insurance entities include amounts due for claims payable, claims IBNR, and premiums due to insurance entities are valid obligations of the plan; and that such payables have been determined, recorded, and disclosed in the financial statements in accordance with the applicable financial reporting framework. 	Paragraphs 7.203 – 7.209; 7.217 – 7.220	EBPAQC Tools and Resources: <ul style="list-style-type: none"> Health and Welfare Plans Resource Center Topix Primer, Health and Welfare Employee Benefit Plans

<ul style="list-style-type: none"> No evidence that sufficient audit procedures were performed to address the relevant assertions that the calculation of the obligations for accumulated eligibility credits and postemployment benefits is based on participant census data that is complete and accurate; and that the obligations for accumulated eligibility credits and postemployment benefits and amounts for changes in those obligations are appropriately determined, presented, and disclosed in the financial statements in accordance with the applicable financial reporting framework. No evidence that sufficient audit procedures were performed to address the relevant assertions that the actuarially computed present value of postretirement benefits is based on participant census data that is complete and accurate; and that the actuarial present value of postretirement benefits, components of those benefits, and amounts of changes in the actuarial present value of postretirement benefits as determined by the actuary are properly presented and disclosed in the financial statements in accordance with the applicable financial reporting framework and appropriately determined by the plan actuary. 	Paragraphs 7.221 – 7.228	
ESOPs:		
Insufficient Testing of employer’s stock valuation in a full scope audit <ul style="list-style-type: none"> For privately held employer stock, no evidence that sufficient audit procedures were performed to evaluate that the employer stock valuation report is sufficiently reliable, including whether it is accurate, complete and sufficiently precise and detailed, as well as the appraiser’s competence, capabilities and objectivity. 	Paragraphs 2.87 – 2.94; 5.438 – 5.448; 5.615 – 5.631	EBPAQC Tools and Resources: <ul style="list-style-type: none"> Employee Stock Ownership Plan Resource Center Topix Primer, Employee Stock Ownership Plans Documentation of the Evaluation of an Appraisal Used as Audit Evidence in an Employee Stock Ownership Plan Financial Statement Audit
Insufficient testing of notes payable <ul style="list-style-type: none"> No evidence that sufficient audit procedures were performed to address the audit assertions that the notes payable were in accordance with the debt agreements and properly classified and disclosed in accordance with the applicable financial reporting framework and that unallocated shares were properly released to eligible participants upon debt repayment. 	Paragraphs 5.417 – 5.421; 5.458 – 5.459; 5.643 – 5.646	EBPAQC Tools and Resources: <ul style="list-style-type: none"> Employee Stock Ownership Plan Resource Center Topix Primer, Employee Stock Ownership Plans
Multiemployer Plans:		
Insufficient testing of contributions from contributing employers <ul style="list-style-type: none"> No audit evidence that sufficient audit procedures were performed to determine whether contributions from contributing employers were accurate and complete. 	Paragraphs 5.243 – 5.246; 6.164 - 6.168; 6.191 – 6.192; 7.192	EBPAQC Tools and Resources: <ul style="list-style-type: none"> Multiemployer Employee Benefit Plan Audit Resource Center Topix Primer, Multiemployer Employee Benefit Plans

*References are to the 2018 AICPA Audit & Accounting Guide, *Employee Benefit Plans*