

MEMORANDUM



DATE: December 20, 2023

TO: All Novak Francella Clients

FROM: Novak Francella LLC

SUBJECT: OCA, EBSA Assessment of the Quality of Audit Work performed by IQPAs

The Office of the Chief Accountant (OCA), Employee Benefits Security Administration (EBSA), U.S. Department of Labor (DOL), has completed its fourth assessment of the quality of audit work performed by independent qualified public accountants (IQPAs).

The assessment focuses on IQPAs' financial statement audits of employee benefit plans covered under the Employee Retirement Income Security Act (ERISA) for the 2020 filing year (plan years beginning in 2020).

The findings in their assessment were telling. 30 percent of the audits (3 out of 10) contained major deficiencies with respect to one or more relevant generally accepted auditing standards requirements. And, significantly, they found that there remains a clear link between the number of employee benefit plan audits a CPA Firm performed and the quality of the audit work.

They selected 307 plans for their assessment. They found that firms that audit more than 99 plans each year, and are dedicated to the market, performed significantly better in their assessment. They also found that audits performed by members of the American Institute of Certified Public Accountants' (AICPA) Employee Benefit Plan Audit Quality Center had a significantly lower deficiency rate.

The number of plan audits has increased modestly (increasing 7 percent) since 2011. Over the same period, the total number of CPA firms performing those audits has decreased sharply (decreasing 40 percent). This is a result of firms leaving the employee benefit plan space. And, hopefully, removing firms that do not have the proficiency to do this work.

Novak Francella performs audits of over 400 employee benefit plans each year. We are one of the original members of the American Institute of Certified Public Accountants' Employee Benefit Plan Audit Quality Center.

We believe, and the audit assessment performed by the Department of Labor confirms, that hiring a firm with the experience we have gained as a result of auditing 400 plans each year provides a significantly better audit product.

We felt that it was important to share this information with you. We appreciate you selecting our firm to provide auditing services to your plan. We remain dedicated to this market and look forward to providing service to you in the future.

For a copy of the full study please follow this link <https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/november-2023-audit-quality-study.pdf>