

BRIEFLY...

Highlights of Report Number 05-15-002-12-121, issued to the Assistant Secretary for Employee Benefits Security.

WHY READ THE REPORT

Independent audits are an important tool in helping to secure the financial health of the nation's pension plans. These annual audits of plan financial statements provide assurance to participants that the plan's assets are actually available to pay benefits.

By law, most pension plans must receive an annual audit. Some small pension plans, however, generally those with fewer than 100 participants, are not required to receive an annual audit. As a result, those plans are at increased risk of fraud and mismanagement.

WHY OIG CONDUCTED THE AUDIT

In order to qualify for a waiver of the audit requirement, small pension plans must satisfy certain conditions. In response to concerns regarding the safety of assets in small pension plans that were not audited, we conducted an audit to determine if EBSA is providing sufficient oversight to small pension plans claiming audit waivers.

READ THE FULL REPORT

To view the report, including the scope, methodologies, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2015/05-15-002-12-121.pdf>

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SMALL PENSION PLANS RECEIVING AUDIT WAIVERS NEED MORE FREQUENT REVIEW

WHAT OIG FOUND

The OIG found EBSA did not provide sufficient oversight of small plans claiming the audit waiver. While Small Pension Plan Audit Waiver (SPPAW) regulations have existed since 1976, EBSA performed reviews of plan filings claiming audit waivers only two times: once in Fiscal Year (FY) 2008, and once in 2011. We tested both reviews on a sample basis. We determined EBSA's Office of Chief Accountant (OCA), did not independently confirm numbers reported by the plans, and therefore, did not have sufficient assurance of the accuracy of the amounts reported and the plans' ultimate eligibility for waivers.

This occurred because EBSA did not allocate sufficient resources to regularly conduct comprehensive reviews to confirm compliance with SPPAW regulations. EBSA concluded, based on observations of high levels of compliance from a review it conducted in 2011, that it would pursue SPPAW compliance only on an ad-hoc basis. As a result, it did not include SPPAW compliance in its annual risk assessment process and did not review it on a regular basis.

WHAT OIG RECOMMENDED

We recommended the Assistant Secretary for Employee Benefits Security include SPPAW filers in its annual risk assessment, perform periodic comprehensive reviews of samples of small plans claiming an audit waiver, and perform a review of compliance with ERISA §412 bonding requirements.

The Assistant Secretary for Employee Benefits Security agreed with our recommendations and stated EBSA would include compliance with the SPPAW regulations in their annual risk assessment process and determine compliance by reviewing a sample of plans claiming the waiver. EBSA would also conduct an examination of plans' compliance with ERISA's fiduciary bonding rules.