

ERISA employee benefit plan financial statement audit special considerations—2025

This non-authoritative Employee Benefit Plan Audit Quality Center (EBPAQC) resource is intended to help auditors identify and understand recent legislative, regulatory, and professional developments that may impact the 2025 ERISA employee benefit plan audit season (including audits of ERISA plan financial statements for periods ending December 31, 2024). This document may be helpful in initiating discussions throughout the course of the audit with the engagement team, plan sponsor, plan management, and third-party service organizations. This document has not been approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA.

The 2025 employee benefit plan (EBP) audit season will present the auditor with several new and special considerations for ERISA audits, including:

New accounting and auditing standards and audit and accounting guidance

- Understanding the applicability of FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, on employee benefit plan audits.
- Understanding the lessons learned from auditors' implementation of SAS No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*.
- Using the most recent version of the AICPA Audit and Accounting Guide, *Employee Benefit Plans (EBP Guide)* (as of August 1, 2024) which has been updated with the recent audit and accounting standards.
- Understanding the recently issued FinREC guidance related to accounting for revenue sharing arrangements in accordance with FASB ASC 606, *Revenue from Contracts with Customers*; illustrative notes to the financial statements regarding a 403(b) plan's tax status; and ERISA Section 103(a)(3)(C) election disclosures.

Legislative and regulatory developments

- Understanding the SECURE 2.0 Act of 2022 provisions that may affect an EBP audit.
- Understanding the audit quality issues identified in the DOL Audit Quality Study.

Plan environment and controls

- Considering the economic environment and potential implications for the business environment.
- Understanding the effect of low employee retention rates at auditing firms, service providers, and the plan sponsor and the increase in employer layoffs on plans.
- Understanding the complexities of plan mergers.
- Understanding the trend of an increasing use of external confirmations and the associated audit procedures.

This tool also includes references to additional AICPA resources on auditing in the current environment.

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New accounting and auditing standards and guidance

FASB ASC 326, Financial Instruments – Credit Losses

FASB [Accounting Standards Update \(ASU\) 2016-13, Financial Instruments – Credit Losses \(Topic 326\): Measurement of Credit Losses on Financial Instruments](#), requires organizations to measure all expected credit losses for financial instruments held at the reporting date. Employee benefit plans are not excluded from the scope of FASB ASC 326. However, FASB ASC 326-20-15-3c provides a scope exception for loans made to participants by defined contribution employee benefit plans, as each loan is 100% collateralized by the participant’s account balance and, if not repaid, the account balance is simply reduced by the unpaid amount of the loan, resulting in no loss to the plan.

The FASB issued a proposed ASU, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities*, for public comment on December 3, 2024, which would allow a practical expedient and accounting policy election to reduce the time and effort necessary to analyze and estimate credit losses for certain receivables. Comments were due January 17, 2025.

Employee benefit plans are excluded from the scope of the proposed ASU; however, the AICPA has requested that FASB permit the application of the practical expedient and accounting policy election to employee benefit plan contribution receivables. Updates on these advocacy efforts will be announced in a future EBPAQC Alert.

[Click here](#) to read the proposed ASU.

Understanding the Lessons Learned from the auditor’s implementation of SAS No. 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement

For most auditors, 2025 will be the second year of implementing [SAS No. 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement](#). In the first year of implementation, many auditors experienced difficulty identifying “identified controls”; challenges in identifying IT systems associated with the plan and general IT controls; and documenting compliance with the standard.

Viewing the following archived EBPAQC webcasts may help the auditor identify ways in which to improve the efficiency and effectiveness of the audit relating to performing risk assessment procedures in 2025:

- [Click here](#) to view the EBPAQC archived webcast, *Applying SAS No. 145 in employee benefit plan audits, Part 1*.
- [Click here](#) to view the EBPAQC archived webcast, *Applying SAS No. 145 in employee benefit plan audits, Part 2*.

[Click here](#) to order the eBook version of the AICPA's *Risk Assessment in a Financial Statement Audit (New Guide as of January 1, 2023)*.

FASB Codification improvements project

FASB has issued an Accounting Standards Update under the Codification improvements project that updates the illustrative financial statements and disclosures of a defined contribution plan in paragraph 962-325-55-17 to remove the reference to (a) allowance for credit losses and (b) transfers between Levels 1 and 2 fair value measurements.

[Click here](#) for *Codification Improvements (Evergreen)*.

New FinREC guidance

The 2024 edition of the Audit and Accounting Guide, *Employee Benefit Plans* (through August 1, 2024) (EBP Guide) includes several new AICPA Financial Reporting Executive Committee (FinREC) recommendations, including:

- FinREC recommendations regarding accounting for revenue sharing arrangements in accordance with FASB ASC 606, *Revenue from Contracts with Customers*:
 - Revenue sharing amounts not considered ASC 606 revenue
 - Intended to reduce administrative costs
 - Not paid for delivering or producing goods rendering services, or undertaking other activities for investment manager
 - Consider all relevant facts and circumstances, including terms of agreement, to determine appropriate presentation
 - FinREC believes:
 - Presentation in plan financial statements should be applied on a consistent basis
 - Plan should consider whether the presentation of revenue sharing amounts is a significant accounting policy that should be disclosed in the notes to the financial statements
- Updates to illustrative notes to the financial statements regarding a 403(b) plan's tax status:
 - Tax exempt status of 403(b) plan is different from 401(k) plan
 - Relates to exclusion from income of participant rather than exemption of tax for the plan
 - Includes illustrative 403(b) plan disclosures for:
 - Individually designed plan that:
 - Has not obtained an individual determination letter
 - Has obtained an individual determination letter
 - Plan that has adopted pre-approved plan document
 - Revises illustrative disclosures for:
 - ESOPs
 - DB pension plans
 - Multiemployer plans
- ERISA Section 103(a)(3)(C) audit notes to the financial statements should include the name of the qualified institution that certified the investment information as complete and accurate:
 - FinREC believes financial statement notes should include:
 - a statement that certain information in the accompanying financial statements and ERISA-required supplemental schedule(s) related to investments (and notes

receivable from participants, when applicable) held as of [include date of the financial statements under audit and covered by the certification], and net appreciation (or depreciation) in fair value of investments, interest and dividends, (and interest income on notes receivable from participants, when applicable) for the year ended [include date of the financial statements under audit and covered by the certification] was obtained by management and agreed to or derived from information certified as complete and accurate by a qualified institution.

- The name of the qualified institution that certified the information

2024 AICPA EBP Audit and Accounting Guide (revised through August 1, 2024)

The AICPA recently issued the 2024 edition of the EBP Guide, which has been updated to reflect new regulations, including:

- FinREC recommendations regarding accounting for revenue sharing arrangements in accordance with FASB ASC 606, *Revenue from Contracts with Customers*
- Changes to the Form 5500 participant count methodology for defined contribution plans
- Changes in the deadline for plan amendments to reflect the applicable provisions of the SECURE Act and SECURE Act 2.0
- Adjustments to annual reporting penalties and other penalties
- Changes made regarding preapproved plan documents for 403(b) plans
- Updates to illustrative notes to the financial statements regarding a 403(b) plan's tax status

As in the past, the 2024 EBP Guide is available as an eBook or as part of the Essential A&A Research Collection. New in 2024, the EBP Guide is also available in a print-on-demand, black-and-white version in three-ring binder format.

[Click here](#) to purchase the Essential A&A Research Collection and access to the AICPA Online Professional Library (subscription required).

[Click here](#) to order the print-on-demand, black-and-white version in three-ring binder format.

[Click here](#) to order the eBook version.

Legislative and regulatory developments

SECURE 2.0 Act of 2022

The SECURE 2.0 Act of 2022 (Act) was signed into law on December 29, 2022, to increase retirement savings, improve retirement rules, and lower employer costs of setting up a retirement plan. Plan amendments required by the Act generally need not be made until the end of the first plan year beginning on or after January 1, 2025; *however*, plans must be operated in accordance with the effective date of each new provision.

The EBPAQC has developed a resource, [SECURE 2.0 Act of 2022 considerations for auditors](#), to assist plan auditors in understanding the provisions of the SECURE 2.0 Act of 2022 (Act) that may affect the ERISA plans they audit, which provides:

- A summary of those provisions and their effective dates.
- The types of plans and audit areas to which they may relate.
- References to non-authoritative resources and authoritative guidance to assist auditors in understanding the provisions and determining how they may affect the audit.

This EBPAQC resource is updated regularly and may be helpful in initiating discussions throughout the course of the audit with plan management.

Following is a summary of some of the significant provisions that may affect plan sponsors and auditors in the 2025 audit season:

- **Expanding automatic enrollment in retirement plans.** Section 101 requires 401(k) and 403(b) plans established after the date of enactment (December 29, 2022) to automatically enroll participants in the respective plans upon becoming eligible (and the employees may opt out of coverage). The IRS has released [IRS Notice 2024-2](#), which provides guidance to assist in implementation of section 101 of the SECURE 2.0 Act of 2022 with respect to expanding automatic enrollment in retirement plans. The IRS has released a [Proposed Rule](#) on the new automatic enrollment requirement for 401(k) and 403(b) plans.
- **Higher catch-up limit to apply at age 60, 61, 62, and 63.** Section 109 increases these limits to the greater of \$10,000 or 50 percent more than the regular catch-up amount in 2025 for individuals who have attained ages 60, 61, 62 and 63. The increased amounts are indexed for inflation after 2025. Under Section 603, Roth catch-up contributions to qualified retirement plans are subject to Roth tax treatment. An exception is provided for employees with compensation of \$145,000 or less (indexed). The IRS has released [IRS Notice 2023-62](#), which announces a 2-year administrative transition period with respect to the requirement under section 603 of the SECURE 2.0 Act that catch-up contributions made on behalf of certain eligible participants be designated as Roth contributions. The IRS has released a [Proposed Rule](#) on the new Roth catch-up rule.
- **Treatment of student loan payments as elective deferrals for purposes of matching contributions.** Section 110 permits an employer to make matching contributions under a 401(k) plan, 403(b) plan, or SIMPLE IRA with respect to “qualified student loan payments.” A qualified student loan payment is broadly defined as any indebtedness incurred by the employee solely to pay qualified higher education expenses of the employee. Governmental employers are also permitted to make matching contributions in a section 457(b) plan or another plan with respect to such repayments. The IRS has released [IRS Notice 2024-63](#), which implements section 110 of the SECURE 2.0 Act of 2022 with respect to matching contributions made on account of qualified student loan payments. Auditors may wish to consider the types of audit evidence that would be acceptable to support this provision.

[Click here](#) for the updated EBPAQC non-authoritative resource, *SECURE 2.0 Act of 2022 considerations for auditors*.

[Click here](#) to read the Senate staff comprehensive analysis of each section of the SECURE 2.0 Act.

[Click here](#) to read the SECURE 2.0 Act (included as Division T of the Consolidated Appropriations Act, 2023).

2024 Form 5500 changes

The U.S. Department of Labor (DOL) has released the 2024 Form 5500 Annual Return/Report and related instructions. Updates include an added plan characteristic code for reporting on pension-linked emergency savings accounts; information on filing Form 5558 extensions for a DCG reporting arrangement; an update to line 26b of Schedule SB for certain expected benefits payable in annuity form; and an increase in the maximum civil penalty amounts assessable under ERISA section 502(c)(2), which are detailed in the *Administrative Penalties* section of the 2024 instructions (see also the [DOL revised administrative penalties](#) section of this document).

For details on the changes, reference the *Changes to Note* section of the 2024 Form 5500 instructions.

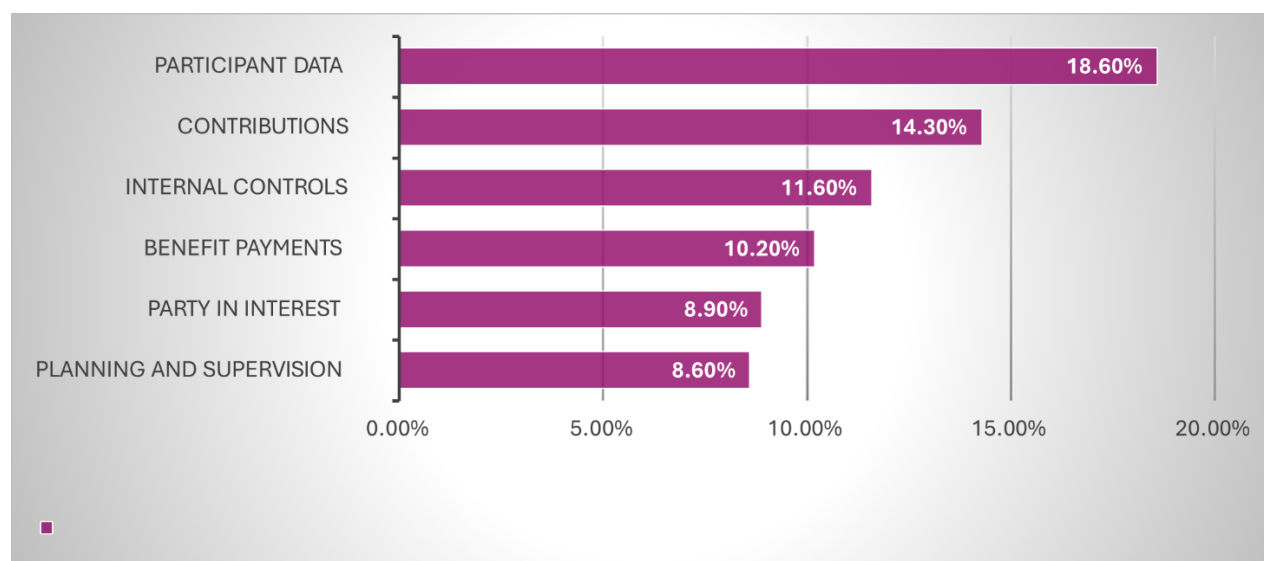
[Click here](#) for the News Release, *US Department of Labor, IRS, Pension Benefit Guaranty Corp. Release Information for Annual Benefits Plan Return/Report*.

EBPAQC activities in response to 2023 DOL Audit Quality Study

The DOL Employee Benefits Security Administration (EBSA) issued a report, *Audit Quality Study, November 2023 (Report)*, which reported that 70% of the audits fully complied with professional auditing standards or had minor deficiencies, while 30% of the audits had one or more major deficiencies with respect to one or more relevant GAAS requirements.

On a positive note, the Report found that EBPAQC firm members had a significantly lower deficiency rate than non-member firms and the rate of multiple deficient audit areas decreased substantially. However, as in past studies, the deficiency rates are still high and the audit areas with more frequent deficiencies were in areas unique to EBP auditing, including testing contributions, benefit payments, participant data, and party-in-interest/prohibited transactions.

The following chart details the six audit areas with the highest deficiency rates (as a percentage of all audits reviewed):



What is the EBPAQC doing to help?

The EBPAQC has a number of existing tools that address many of the deficiencies identified in the Report. The Center has prepared a summary of these resources, [Existing EBPAQC Resources that Address Common Deficiencies Identified by DOL and AICPA Peer Review](#), which details specific deficiencies noted and identifies tools and resources that address those deficiencies, and includes a brief description and link to each.

[Click here](#) to view the summary of EBPAQC resources.

In the coming months, the Center will issue a series of EBPAQC Alerts highlighting the various tools and resources available to members along with a discussion of how they might be used in your practice. The EBPAQC has also worked with the DOL and AICPA Peer Review to identify misconceptions that may be contributing to audit issues and is working to develop resources that address common deficiencies in the top three deficient areas: contributions, benefit payments, and participant data. In addition, the EBPAQC will sponsor a webcast, *EBP audit quality matters*, on Thursday, April 3, 1:00-3:00 p.m. ET, that discusses these misconceptions and offers strategies for addressing them. Watch for updates included in

future EBPAQC Alerts regarding these ongoing efforts.

[Click here](#) to register for the **Paid CPE credit option** April 3, 2025, live webcast (**2 CPE hours**).

[Click here](#) to register for the **Free No-CPE credit option** April 3, 2025, live webcast (**no CPE credit hours**).

[Click here](#) to register for the **Paid CPE credit option** November 3, 2025, rebroadcast webcast (**2 CPE hours**).

[Click here](#) for the EBSA report, *Audit Quality Study, November 2023*.

DOL revised administrative penalties

The DOL 2024 Form 5500 Annual Return/Report and related instructions include an update to the administrative penalties to reflect an increase in the maximum civil penalty amounts assessable under ERISA section 502(c)(2), as required by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. Auditors may wish to inform their clients that the DOL may assess a penalty of up to \$2,670 a day for each day a plan administrator fails or refuses to file a complete and accurate report, including audited financial statements.

[Click here](#) for the *2024 Instructions for Form 5500*.

DOL updated cybersecurity guidance

The DOL issued a new [Compliance Assistance Release](#) that updates its 2021 cybersecurity guidance to clarify that it applies to all types of plans, including health and welfare plans. The guidance, intended for plan sponsors, plan fiduciaries, record keepers and plan participants, discusses best practices for maintaining cybersecurity, including tips on how to protect the retirement benefits of America's workers.

This updated guidance is reflected in the following updated guidance:

- [Tips for Hiring a Service Provider](#): Helps plan sponsors and fiduciaries prudently select a service provider with strong cybersecurity practices and monitor their activities, as ERISA requires.
- [Cybersecurity Program Best Practices](#): Assists plan fiduciaries and recordkeepers in mitigating risks.
- [Online Security Tips](#): Offers plan participants who check their retirement accounts online basic rules to reduce the risk of fraud and loss.

Auditors may wish to share these resources with their plan clients.

DOL updated investment advice fiduciary definition

The DOL finalized its [Retirement Security Rule](#) related to investment advice provided to plan participants, which updates the definition of an investment advice fiduciary under the Employee Retirement Income Security Act and the Internal Revenue Code.

The updated definition of an investment advice fiduciary, which took effect on September 23, 2024, applies when trusted financial services providers give compensated investment advice to retirement plan participants, individual retirement account owners and plan officials responsible for administering plans and managing their assets.

Under the final rule, a person is an investment advice fiduciary if they provide a recommendation—which must be made "for a fee or other compensation, direct or indirect"—in one of the following contexts:

- The person either directly or indirectly (e.g., through or together with any affiliate) makes professional investment recommendations to investors on a regular basis as part of their business and the recommendation is made under circumstances that would indicate to a reasonable investor in like circumstances that the recommendation:
 - is based on review of the retirement investor's particular needs or individual circumstances,
 - reflects the application of professional or expert judgment to the retirement investor's particular needs or individual circumstances, and
 - may be relied upon by the retirement investor as intended to advance the retirement investor's best interest; or
- The person represents or acknowledges that they are acting as a fiduciary under Title I of ERISA, Title II of ERISA, or both with respect to the recommendation.

The final rule defines the terms *investment advice*, *execution of securities transactions*, and *for fee or other compensation, direct or indirect*, and addresses applicability of the regulation.

[Click here](#) to read the final rule.

DOL final rule on environmental, social, and governance (ESG) investments

The DOL issued a final rule allowing ERISA plan fiduciaries to consider ESG factors when they make investment decisions and when they exercise shareholder rights, including voting on shareholder resolutions and board nominations.

The final rule includes changes to clarify permissibility of consideration of ESG factors, changes to qualified default investment alternative provisions (QDIAs), changes to clarify the application of the duty of loyalty, and provisions on shareholder rights including proxy voting.

This rule became effective on January 30, 2023.

[Click here](#) for *Final Rule on Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights*.

IRS revenue procedure 2022-40 permits determination letters for 403(b) plans

In [revenue procedure 2022-40](#), the IRS permits the submission of determination letter applications for section 403(b) individually designed plans. Under this revenue procedure, a plan sponsor that maintains a section 403(b) individually designed plan will be permitted to submit a determination letter application for an initial plan determination, for a determination upon plan termination, and in certain other circumstances identified by the IRS in guidance published in the Internal Revenue Bulletin (IRB). The earliest date a plan sponsor will be permitted to submit a determination letter application for a section 403(b) individually designed plan is June 1, 2023.

[Click here](#) for IRS revenue procedure 2022-40.

In [revenue procedure 2024-4](#), the IRS provides guidance on the individually designed determination letter program. Depending upon the last digit of a plan sponsor's EIN, a plan sponsor may submit a determination letter application in any year after the year identified in the chart:

If the EIN of the plan sponsor ends in:	A determination letter application may be submitted beginning on:
1, 2, or 3	June 1, 2023
4, 5, 6, or 7	June 1, 2024
8, 9, or 0	June 1, 2025

[Click here](#) to view information about IRS revenue procedure 2024-4.

IRS proposed regulations implementing exception to “one bad apple” rule

The SECURE Act created an exception to the “one bad apple” rule for PEPs and other DC MEPs that qualify as one plan for ERISA purposes. Under the SECURE Act, one participating employer’s failure won’t jeopardize the MEP’s plan tax status if the plan document provides that the MEP will spin off assets attributable to employees of a noncompliant employer (unless the Treasury Department determines that keeping those assets in the plan would be in the employees’ best interest), and the noncompliant employer (commonly referred to as an “unresponsive participating employer”) will be responsible for any liabilities with respect to its participating employees and their beneficiaries.

On March 28, 2022, the IRS proposed regulations (Proposed Regulations) to implement the statutory exception to the one bad apple rule which allows MEPs to maintain their tax-qualified status despite a participating employer’s errors. The proposal sets conditions for MEPs to use the exception and provides a framework to address a participating employer’s failures, including detailed notice requirements. The IRS intends to provide model plan language for required amendments to qualify for the one bad apple exception after finalizing the regulations. Pending final regulations, IRS will allow reliance on the proposal.

[Click here](#) to read the Proposed Regulations.

FASB Proposed Taxonomy Implementation Guide for Form 11-K XBRL reports

In July 2024, the Financial Accounting Standards Board (FASB) staff issued a proposed Taxonomy Implementation Guide, [Employee Benefit Plans \(Including Defined Contribution Plans Filing SEC Form 11-K\)](#) (Guide), based on the 2024 GAAP Financial Reporting Taxonomy (Taxonomy). Comments were due September 24, 2024. The proposed Guide demonstrates the modeling for the reporting by employee benefit plans to comply with [SEC Releases Nos. 33-11070 and 34-95025, Updating EDGAR Filing Requirements and Form 144 Filings](#), which require the use of Inline eXtensible Business Reporting Language (“Inline XBRL”) for the filing of the financial statements and accompanying notes to the financial statements of employee stock purchase, savings and similar plans. The releases provided Form 11-K filers a three-year transition period after the July 11, 2022, effective date. As such, all 11-Ks are required to be filed electronically beginning in 2025.

The EBPAQC is offering a live webcast, *11-K Audits*, on March 11, 2025, and a rebroadcast on May 29, 2025. Melissa Nicholson, a Supervising XBRL Project Manager for FASB, will be joining the panel of speakers to present on this topic.

[Click here](#) to register for the **Paid CPE credit option** March 11, 2025, live webcast (**2 CPE hours**).

[Click here](#) to register for the **Free No-CPE credit option** March 11, 2025, live webcast (**no CPE credit hours**).

[Click here](#) to register for the **Paid CPE credit option** May 29, 2025, rebroadcast webcast (**2 CPE hours**).

[Click here](#) to read the exposure draft.

401(k) and profit-sharing plan contribution limits

In 2024, the limit on employee elective deferrals is \$23,000. If permitted by the plan, participants age 50 or over at the end of the calendar year can also make catch-up contributions of up to \$7,500 in 2024. In 2024, compensation limits for contributions are \$345,000.

[Click here](#) for the IRS online resource on *401(k) and Profit-Sharing Plan Contribution Limits*.

Required Amendments List

The Required Amendments List is an annual list of changes in retirement plan qualification requirements published by the IRS.

[Click here](#) for the IRS Required Amendments Lists.

DOL Compliance Assistance Release No. 2022-01

The DOL's Employee Benefits Security Administration (EBSA) cautions plan fiduciaries to exercise extreme care before they consider adding a cryptocurrency option to a 401(k) plan's investment menu for plan participants.

At this early stage in the history of cryptocurrencies, the DOL has serious concerns about the prudence of a fiduciary's decision to expose 401(k) plan participants to direct investments in cryptocurrencies, or other products whose value is tied to cryptocurrencies. These investments present significant risks and challenges to participants' retirement accounts, including significant risks of fraud, theft, and loss, for the following reasons:

- Speculative and volatile investments
- The challenge for plan participants to make informed investment decisions
- Custodial and recordkeeping concerns
- Valuation concerns
- Evolving regulatory environment

[Click here](#) for Compliance Assistance Release No. 2022-01, *401(k) Plan Investments in "Cryptocurrencies"*.

See the AICPA & CIMA Practice Aid, [Accounting for and auditing of digital assets](#) for nonauthoritative guidance for auditing digital assets such as crypto-assets in the areas of risk assessment, processes and controls, laws and regulations, and related parties.

Current environment – additional audit considerations

The following are other considerations in the current environment that auditors may want to consider.

Economic environment

When planning and performing an ERISA plan audit, it is important for the auditor to understand the economic conditions facing the industry in which the plan sponsor operates as well as the effects of these conditions on the plan. Economic activities relating to factors such as interest rates, availability of credit, consumer confidence, overall economic expansion or contraction, inflation, and labor market conditions are likely to have an effect on the audit of the plan's financial statements.

Auditors will want to be alert for economic and business conditions and events that, when considered individually or in the aggregate, indicate there could be a substantial negative effect on the plan's financial condition, including consideration of the plan's or plan sponsor's ability to continue as a going concern. Some primary areas of concern given the current economic conditions may include:

- Falling interest rates. A significant amount of U.S. corporate debt outstanding has floating interest rates and trillions of dollars of derivatives exist which are based on interest rates.
- A change in presidential administrations.
- Bankruptcy of the plan sponsor that may affect the ability of the plan to continue as a going concern.
- The continuing trend of terminating defined benefit pension plans.
- Persistent inflation, which threatens a key pillar of the U.S. economy—consumer spending.
- Increasing consumer debt levels.
- Increasing occurrences of natural disasters, which could lead to more plan participants withdrawing funds from their retirement plans
- A softening housing market in some areas.
- Employee terminations, which could affect the ability of the plan sponsor to properly administer the plan or may result in partial plan terminations.

Partial plan terminations may occur when there is substantial employer-initiated employee turnover, either due to a significant event, such as a plant or division closing, or as a result of adverse economic conditions or other events that are outside of the employer's control. Certain factual circumstances may affect the assessment of a partial plan termination.

A partial plan termination may affect the plan's financial statements; upon full or partial termination of a plan, affected participants become fully vested in accrued benefits at the termination date.

[Click here](#) for IRS guidance on partial plan terminations.

[Click here](#) for the EBPAQC Plan Advisory on Partial plan terminations.

Potential risks associated with nondisclosure and other agreements

It has come to the attention of the EBPAQC Executive Committee (EC) that EBP auditors are increasingly being asked by recordkeepers, third-party administrators (TPAs), and other service organizations to sign nondisclosure agreements, confidentiality agreements, business associate agreements, data protection agreements, and other types of agreements (collectively, NDAs or other agreements). The EC would like to make members aware of potential issues related to signing these NDAs or other agreements.

What is the issue?

Plan auditors often access information necessary to perform their audits directly from electronic sites/portals (portals) maintained by recordkeepers, third-party administrators (TPAs), and other service organizations. To access that information, auditors may first be required to accept the site's terms of use, which may include NDAs or other agreements that may compromise or limit the auditor's ability to perform an independent financial statement audit because, if adhered to, would cause the auditor to violate professional standards, regulations, and/or laws.

It is critical that auditors have unfettered access to the information needed in order to conduct an audit. Auditors are already subject to professional and legal requirements related to confidentiality of client information, which extend to information provided by service organizations, that may serve the same purpose as an NDA. Noncompliance with professional standards and/or laws could result in potentially severe consequences to the CPA.

What is the EBPAQC doing to help?

The EBPAQC issued [a letter \(EBPAQC NDA Letter\)](#) that highlights the risks and requirements auditors should be aware of before entering into such agreements.

The [EBPAQC NDA Letter](#) provides examples of provisions in NDAs and other agreements that may

cause auditors to violate professional standards and/or laws and regulations if followed, a discussion of the potential consequences involved, and recommendations for firms to consider.

[Click here](#) to read the EBPAQC NDA letter.

The EBPAQC has also been working to educate service providers about the difficult situation that NDAs and other agreements create for plan auditors and make them aware that it would appear that such agreements may be in direct conflict with DOL Rule 29 CFR §2520.107-1, *Use of electronic media for maintenance and retention of records*, which provides guidance on the maintenance and retention of plan information through electronic format under sections 107 and 209 of ERISA. Among other things, it states that those requirements are satisfied when using electronic media if:

The electronic recordkeeping system is not subject, in whole or in part, to any agreement or restriction that would, directly or indirectly, compromise or limit a person's ability to comply with any reporting and disclosure requirement or any other obligation under Title I of ERISA.

The EBPAQC is encouraging service providers to find a workaround that satisfies their needs without compromising the ability of plan auditors to conduct their audits, such as including language in the NDA or other agreement or in the audit package that notes that any provision that would cause the auditor to violate professional standards, laws, or regulations, or is otherwise impracticable to comply with, is unenforceable and does not apply to auditors. Some service providers have already included such language in their public online auditor access portals and the EBPAQC is encouraging other service providers to do the same. [Click here](#) for an example of the language that one large service provider has included in its auditor access portal.

What about "click-through agreements" for SOC 1 reports?

To be clear, the letter generally does not address situations in which auditors are required to “click through” in order to access a service provider’s SOC 1 report because plan financial statement auditors (user auditors) are specified parties identified in these restricted use reports (intended users) and the restrictive provisions typically apply to non-specified parties. However, auditors will want to read the click-through provisions related to SOC 1 reports to determine that they do not apply to user auditors.

What can auditors do?

Auditors are encouraged to:

- discuss the matter with the plan sponsor and any other relevant parties involved in the audit and ask them to implement workarounds for auditors.
- consider discussing a workaround directly with the service organization, as discussed earlier.
- carefully read the NDAs or other agreements and take steps—such as consulting legal counsel—before entering into agreements that would cause them to violate professional standards, laws, or regulations or the terms of the agreement.
- consider whether members of your firm who are unaware of the potential risks may be signing NDAs or other agreements and inadvertently subjecting your firm to increased risks.

Plan amendments – SECURE Act and CARES Act

On August 3, 2022, the IRS released [Notice 2022-33](#), which extends the deadline for adopting any SECURE Act plan amendments until December 31, 2025, to provide relief for plan sponsors waiting for final IRS guidance on many of the SECURE Act’s provisions such as required post-death distribution rules and rules governing the inclusion of long-term part-time employees. The IRS expects SECURE Act guidance to be issued with the 2023 [Required Amendments List](#). The Notice also extends the deadline for the 2020 waiver in the CARES Act of required minimum distributions until December 31, 2025.

Note that these amendments can be retroactively adopted; therefore, the plan can implement the amendments prior to amending the plan instrument. Similarly, plans may have voluntarily adopted provisions under the CARES Act by placing them in operation without amending the plan as long as the plan management makes the required amendments to plan documents by December 31, 2025. As noted in AU-C section 703, the plan instrument is essential to understanding the plan and identifying and performing audit procedures that are responsive to assessed risks. As such, the auditor is required to obtain and read the most current plan instrument for the audit period, including effective amendments, as part of obtaining an understanding of the entity sufficient to perform risk assessment procedures. The auditor is also required to consider relevant plan provisions that affect the risk of material misstatement at the relevant assertion level for classes of transactions, account balances, and disclosures when designing and performing audit procedures. Because SECURE Act and CARES Act provisions may be implemented before amending the plan instrument, it is important that auditors inquire whether any such provisions were implemented during the year that are not yet reflected in the plan instrument.

SECURE Act provisions that may be voluntarily adopted and require the plan to be amended include:

- increasing the cap on payroll contributions from 10 percent to 15 percent for automatic-enrollment safe harbor plans (section 102);
- allowing long-term part-time workers to participate in 401(k) plans (except in the case of collectively bargained plans) (section 112);
- allowing in-service withdrawals for childbirth and adoption expenses (section 113);
- allowing retirees to delay taking required minimum distributions (RMDs) until age 72 (73 beginning on January 2, 2023), up from the current age of 70 1/2, for participants in 401(k) and other defined-contribution plans, defined-benefit pension plans (section 114);

CARES Act provisions that may be voluntarily adopted and require the plan to be amended include:

- allowing participants to take a coronavirus-related distribution (CRD) of up to \$100,000 (not to exceed the participant's account balance) from their retirement plan without a 10% early withdrawal penalty. Eligible distributions can be taken up to December 31, 2020. CRDs may be repaid within three years. The plan management may rely on an employee's certification that the employee satisfies the conditions for a CRD (section 2202. Special rules for use of retirement funds);
- allowing participants to borrow up to \$100,000 from qualified plans – an increase from \$50,000 previously allowed under Internal Revenue Code section 72(p) – for loans made from March 27, 2020 through September 22, 2020, and repayment can be delayed (section 2202. Special rules for use of retirement funds);
- allowing suspension of loan payment due March 27, 2020 through December 31, 2020 for up to one year (section 2202(b)(2)); and
- allowing suspension of 2020 required minimum distributions (section 2203).

Click [here](#) for full text of the CARES Act.

Timely remittance of employee contributions in defined contribution retirement plans

When a plan provides for deductions from employees' paychecks as a means of contributing to a defined contribution retirement plan (e.g., a 401(k) plan), the employer is required to follow certain rules for depositing their contributions and loan repayments (if the plan permits loans) in a timely manner.

DOL regulation 2510.3-102, *Definition of "plan assets" – participant contributions*, requires that an employer segregate defined contribution retirement plan employee contributions and loan repayments from its general assets *as soon as administratively feasible* [emphasis added], but in no event later than the 15th business day following the end of the month in which amounts are contributed by employees or withheld from their wages. It is important to note that 15 business days following the end of the month is not a safe harbor for depositing deferrals; rather, that these rules set the maximum deadline if that

amount of time is the earliest that is reasonably required to be able to separate the plan assets from the employer's corporate assets.

Timely remittance of all contributions is considered a fiduciary responsibility. As noted in DOL's publication, *Meeting Your Fiduciary Responsibilities*, the plan must designate a fiduciary, typically the trustee, to make sure that contributions due to the plan are remitted timely.

The EPAQC has the following resources available for timely remittance of contributions:

- EBPAQC Primer, [*Timely remittance of employee contributions in defined contribution retirement plans*](#)
- EBPAQC Tool, [*Analyzing timeliness of remittances*](#)

Forfeiture accounts in defined benefit contribution plans

According to paragraph 5.252 of the EBP Guide, forfeiture amounts are to be used only in accordance with the plan document. These uses may include paying plan expenses, reallocating to current plan participants, or reducing future employer contributions. Some auditors are finding uncashed checks in forfeiture accounts. It is important to understand if participants' vested balances are being reported in this account and what controls and reconciliations exist to ensure participants' vested balances are not being used inappropriately.

ERISA spending accounts

Auditors may need to view an account rollforward to understand the contents of an ERISA spending account and to determine that the account's use is in accordance with the plan document. Sometimes ERISA spending accounts and revenue sharing amounts are netted against fees in reports from the recordkeeper, which makes it difficult to understand what amounts were earned by the plan and what amounts were used. Additional reports from the recordkeeper also may be needed to understand the activity in the ERISA spending and revenue sharing accounts.

Net asset value (NAV) for certain common or collective trusts

Auditors are seeing increasing instances of certain common or collective trust funds (CCTs) reporting the fund's NAV publicly, such as on NASDAQ or Morningstar. Plans that may have historically reported those CCTs using NAV as a practical expedient to estimate fair value, and consequently *not* reporting them in the ASC 820 fair value leveling table, may want to reevaluate whether the fund now meets the definition of having a readily determinable fair value, including that the fund's fair value per unit is determined and published and is the basis for current transactions.

Generally, under ASC 820, *Fair Value Measurements*, investments are permitted to be presented at NAV as the practical expedient when:

- a) The investment does not have a readily determinable fair value; and
- b) The investment is an investment company within the scope of ASC 946 or is an investment in a real estate fund for which it is industry practice to measure investment assets at fair value on a recurring basis and to issue financial statements that are consistent with the measurement principles

Further in the FASB Master Glossary is the definition of Readily Determine Fair Value (RDFV), which is generally an equity security has a RDFV if any of the following:

- a) If sales prices or bid-and-asked quotations are currently available on a securities exchange registered with the U.S. Securities and Exchange Commission (SEC) or in the over-the-counter market
- b) If traded only in a foreign market, that foreign market is of a breadth and scope comparable to one of the U.S. markets

- c) For a mutual fund or in a structure similar to a mutual fund, if the fair value per share (unit) is determined and published and is the basis for current transactions

Based on criteria c) for the definition of RDFV, an investment that strikes a NAV but it not publicly traded may be considered to have a RDFV. The complexity of this lies in that there is lack of definition for the “published” criteria and also for the “basis of current transactions” criteria with the FASB codification. Some judgment is required, which may result in varying applications by clients and auditors alike.

The EBPAQC has the following tools and resources for valuing plan investments:

- Plan advisory, [Valuing and reporting plan investments](#)
- EBPAQC non-authoritative tool, [Common sources of audit evidence used in testing investment valuations](#)

Roth conversions

Auditors may increasingly see Roth conversions, whereby funds move within a plan from a traditional account to a Roth account. Recordkeepers may report these conversions as distributions to initiate the Form 1099-R and then present the conversion as a rollover into the plan; however, auditors should note that funds do not leave the plan and, as such, are not reported as distributions or rollover in the plan financial statements.

Audit evidence

Reliability of audit evidence. During the COVID pandemic, accessing client books and records may have presented hurdles for auditors. This challenge persists as plan sponsors and service providers experience low employee retention rates. Auditors may be able to obtain client-prepared copies or scans of key records, but auditors need to consider the reliability of those records and perhaps perform additional audit procedures to be satisfied that those records are complete, accurate, and authentic.

[Click here](#) for EBPAQC Primer, *Audit evidence in an employee benefit plan*.

SOC 1 reports

The EBPAQC recognizes the ongoing need to provide relevant, updated trainings on the use of SOC 1 reports in employee benefit plan audits. In 2025, the EBPAQC is offering the following SOC 1 reports webcasts:

The EBPAQC is offering a live webcast, *Using SOC 1 Reports in EBP Audit Risk Assessment*, on April 29, 2025 and a rebroadcast on November 5, 2025.

[Click here](#) to register for the **Paid CPE credit option** April 29, 2025, live webcast (**2 CPE hours**).

[Click here](#) to register for the **Free No-CPE credit option** April 29, 2025, live webcast (**no CPE credit hours**).

[Click here](#) to register for the **Paid CPE credit option** November 5, 2025, rebroadcast webcast (**2 CPE hours**).

The EBPAQC is offering a rebroadcast webcast, *Effective Use of SOC 1 Reports in EBP Audits*, on May 13, 2025 and November 6, 2025.

[Click here](#) to register for the **Paid CPE credit option** May 13, 2025, live webcast (**2 CPE hours**).

[Click here](#) to register for the **Free No-CPE credit option** May 13, 2025, live webcast (**no CPE credit hours**).

[Click here](#) to register for the **Paid CPE credit option** November 6, 2025, rebroadcast webcast (**2 CPE hours**).

Questions from auditors to service providers

Throughout the course of an audit, the auditor may wish to ask questions to the plan's service provider regarding any known instances of fraud, adherence to compliance, plan reporting, inquiries about journal entries, information on investments held, unusual plan activity, and a number of other questions relevant to the plan. It is important that auditors be mindful to specify the proper addressee at the service provider to minimize response times. And because it is important for the plan sponsor to uphold its fiduciary responsibilities, some questions are better directed to the plan sponsor than to the service provider.

Actuarial mortality improvement update

The Society of Actuaries' Retirement Plans Experience Committee (SOA RPEC) [RPEC 2024 Mortality Improvement Update](#) was released in October 2024. This report is used for the development of mortality improvement assumptions for measuring obligations of retirement programs in the United States.

The most recent SOA RPEC [Mortality Improvement Scale MP-2021](#) was released in October 2021. The SOA RPEC does not believe it would be appropriate to incorporate, without adjustment, the substantially higher rates of mortality experienced from 2020 into the graduation and projection models used to forecast future mortality. Therefore, they have elected not to release a new mortality improvement scale for 2024.

AICPA Technical Questions and Answers TIS 3700.01, *Pension Obligations*, discusses the effect of new mortality tables on nongovernmental employee benefit plans and nongovernmental entities that sponsor plans. [Click here](#) for TIS 3700, *Pension Obligations*.

Examples of financial statement disclosures

It is important for employee benefit plan financial statement auditors to consider whether plan management has properly disclosed market volatility and other matters that should be included in the plan's financial statements. EBP financial statement note disclosures need to be tailored to each individual plan for any plan changes or amendments that have been made, including a plan freeze or partial or full termination; circumstances at the plan sponsor (financial position, ability to fund the plan currently and in the future, etc.); potential market volatility; and other factors.

DOL EFAST search tool for Form 5500 filings

The DOL's Employee Benefits Security Administration (EBSA) has a search tool for Form 5500 filings in which users can search for filings using filters including plan type, plan asset value, number of participants, employer plan types, business codes, form years, and locations. Form 5500 filings with the DOL since January 2010 are available in the search tool. The Form 5500 search tool is available at: <https://5500search.dol.gov>.

SEC Form 11-K search tool for plan financial statement filings

The SEC Form 11-K Employee Stock Plan Annual Report database for annual report filings of employee stock purchase, savings and similar plans is an excellent source for example financial statement presentation and related note disclosures for employee benefit plans. (Note that these financial

statements may contain some disclosures that are not necessary for non-SEC plans; however, for the purposes discussed here, this can be a useful tool.) Utilize the "Search Full-Text of Form 11-K" search page and enter "market volatility" or other text into the "Search for Text" field. This will result in a listing of SEC Form 11-K plan filings with related disclosures. [Click here](#) for the SEC Form 11-K Employee Stock Plan Annual Report database.

Pooled employer plans (PEPs)

A PEP is type of multiple employer plan, allowed under the SECURE Act, in which unrelated employers may participate and which is established by a pooled plan provider (PPP). Plans that satisfy the PEP requirements are characterized as open multiple employer plans and are treated as a single plan for purposes of satisfying the requirements of ERISA. It is important to note that the SECURE Act did not establish a new audit threshold for PEPs. Rather, section 101 of the SECURE Act amended ERISA section 104(a)(2)(A) to permit the Secretary of Labor to prescribe by regulation simplified reporting for MEPs subject to ERISA section 210(a) with fewer than 1,000 participants in total, as long as each participating employer has fewer than 100 participants. The DOL is not currently proposing to amend the current reporting rules to establish a "simplified report" for such plans. As such, PEPs that have 100 participants or more generally are required to have an annual financial statement audit.

This is the third year that PEPs have been in existence, and auditors continue to work through PEP reporting and auditing issues. The EBPAQC developed a resource, *Pooled employer plans (PEPs) special considerations*, to assist in understanding PEPs and potential complexities for auditors to consider in determining whether to accept a PEP financial statement audit engagement. See also the "[IRS proposed regulations implementing exception to "one bad apple" rule](#)" discussion in the [Legislative and regulatory developments](#) section of this document for additional considerations.

[Click here](#) for the EBPAQC resource, *Pooled employer plans (PEPs) special considerations*.

Clients and auditors may have questions regarding PEP audit engagement acceptance and independence. The AICPA Professional Ethics staff updated the Frequently Asked Questions: *Application of the independence rules to affiliates of employee benefit plans* concluding that a PPP is an affiliate of a PEP (and vice-versa). Participating employers would not be considered an affiliate of the PEP. However, if a firm auditing the PEP is providing non-attest services to a participating employer, the firm may need to consider the threats and safeguards to independence under the AICPA Conceptual Framework for Independence.

[Click here](#) for the AICPA Professional Ethics staff Frequently Asked Questions: *Application of the independence rules to affiliates of employee benefit plans*.

The AICPA is developing a multiple employer plans chapter for the EBP Guide, which will include guidance on PEP audits. Updates on this project will be announced in a future EBPAQC Alert.

The EBPAQC is offering a live webcast, *Pooled employer plan (PEP) audits*, on March 19, 2025 and a rebroadcast on November 4, 2025.

[Click here](#) to register for the **Paid CPE credit option** March 19, 2025, live webcast (**2 CPE hours**).

[Click here](#) to register for the **Free No-CPE credit option** March 19, 2025, live webcast (**no CPE credit hours**).

[Click here](#) to register for the **Paid CPE credit option** November 4, 2025, rebroadcast webcast (**2 CPE hours**).

On the horizon

Auditing standards

Upcoming auditing standards and guidance implementation dates include:

[SAS No. 146, *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards*](#), is effective for engagements conducted in accordance with GAAS for periods beginning on or after December 15, 2025.

[SAS No. 149, *Special Considerations – Audits of Group Financial Statements \(Including the Work of Component Auditors and Audits of Referred-to Auditors\)*](#), is effective for audits of financial statements for periods ending on or after December 15, 2026.

[Statement on Quality Management Standards, No. 1, as amended, *A Firm's System of Quality Management*](#), systems of quality management in compliance with SQMS No. 1 are required to be designed and implemented by December 15, 2025, and the evaluation of the system of quality management required by paragraphs 54 – 55 of SQMS No. 1 is required to be performed within one year following December 15, 2025.

[Statement on Quality Management Standards, No. 2, *Engagement Quality Reviews*](#), is effective for audits or reviews of financial statements for periods beginning on or after December 15, 2025, and other engagements in the firm's accounting and auditing practice beginning on or after December 15, 2025.

[Statement on Quality Management Standards, No. 3, *Amendments to QM Sections 10, A Firm's System of Quality Management, and 20, Engagement Quality Reviews*](#), is effective as follows:

- The amendment to QM section 10 is effective concurrently with a firm's implementation of SQMS Nos. 1 and 2 on December 15, 2025.
- The amendment to QM section 20 is effective for
 - a) audits or reviews of financial statements for periods beginning on or after December 15, 2025, and
 - b) other engagements in the firm's accounting and auditing practice beginning on or after December 15, 2025.

Additional resources

AICPA resources and Journal of Accountancy articles

AICPA resource center, [*Climate & Sustainability/ESG*](#)

AICPA resource center, [*Noncompliance with laws and regulations – what you need to know*](#)

AICPA Practice Aid, [*Use of Technology in an Audit of Financial Statements*](#)

AICPA Auditing Standards Board Auditing Interpretation No. 1, [*Considerations Related to the Use of a SOC 2® Report in an Audit of a User Entity's Financial Statements*](#)

AICPA decision tree and flowchart, [*When does AR-C section 70 apply?: A guide for practitioners who prepare financial statements for their clients*](#)

[Warning for EBP audit firms: Service agreements can create headaches](#) (July 17, 2024) by Bryan Strickland

[Resources to implement the QM standard](#) (November 1, 2024) by Patricia Bottomly

[A take on cryptoasset transactions, investments, and risk](#) (September 1, 2021) by Mark D. Mishler, CPA

New employee benefit plan fundamentals learning program available

The AICPA has developed an employee benefit plan learning program, *Employee benefit plan (EBP) fundamentals*, which provides auditors and others new to the plan environment with a foundational understanding of 401(k) plans and how they operate. It is presented in 20 short modules in an interactive self-study format and provides 10.5 hours of CPE credit.

The course is intended to serve as a basis for familiarizing auditors new to EBPs with information about:

- ERISA's role and impact
- Key features of 401(k) plans
- Roles and responsibilities in 401(k) plans
- Governing documents
- Contributions, loans, and investments
- Distributions, expenses, and fee arrangements
- Financial reporting requirements
- Regulatory reporting and compliance

It is an excellent introduction to the industry to help auditors understand the plan environment before learning how to audit a plan. EBPAQC member firms may also wish to consider providing information about the program to plan sponsor clients who could benefit from an in-depth understanding of the plans they sponsor.

[Click here](#) for a brief video about the program.

The program is available in the AICPA Store. [Click here](#) to learn more. If your firm is interested in using the program for your EBP team rather than an individual, please contact us at EBPAQC@aicpa.org.

AICPA PCPS Offshoring Toolkit

To assist firms seeking innovative solutions to the challenge of finding sufficient talent in today's environment, the AICPA's Private Companies Practice Section (PCPS) has developed an Outsourcing for CPAs toolkit.

Offshoring has become a vital option for many firms. However, the journey into offshoring has caused many firm challenges with questions on where to begin, what models to adopt, and how to mitigate the risks that can be associated. Once you can effectively integrate offshoring into your practice it can become much more than just a stop-gap measure and truly a strategic necessity for the future to both sustain or grow and gain a competitive advantage to better position firms in a global economy.

This toolkit, a strategic collaboration between Impact Global Solutions and AICPA & CIMA/PCPS, is crafted to address these concerns. It is designed to serve as a guide that not only provides general information but also equips firms with a robust set of tools and resources to begin to navigate the complexities of offshoring.

The toolkit:

- Addresses the various models available to firms.
- presents strategies for embedding outsourced resources into existing workflows, and
- provides actionable support for CPA firms, from initial planning through successful implementation.

[Click here](#) to access the PCPS *Outsourcing for CPAs toolkit*.

[Click here](#) to learn more about the AICPA PCPS.

The EBPAQC Celebrated 20 Years in 2024

In 2024, the AICPA Employee Benefit Plan Audit Quality Center reached a significant milestone—20 years of helping members improve the quality of EBP audits. The Center has significantly expanded its resources since its creation, and 99% of members find value in their membership.

Thank you to all EBPAQC member firms for helping drive its success. Many of you have been members since the very beginning. But whether your firm is a long-time member or has recently joined, we at the Center value your membership and appreciate the commitment you've made to improving EBP audit quality in your firm. Because of this commitment, we are seeing real improvements in overall audit quality, as evidenced by the results of the 2023 DOL Audit Quality Study (AQS). The improvement in EBP audit quality is measurable, and we are proud of the fact that the DOL AQS report noted that audits performed by EBPAQC members had a significantly lower deficiency rate than non-member firms.

New EBPAQC resources and tools

The EBPAQC updated the following tools and resources over the last year:

- Updated EBPAQC non-authoritative practice aid, [Form 5500 considerations for auditors](#)
- EBPAQC non-authoritative resource, [SECURE 2.0 Act of 2022 considerations for auditors](#).
- Updated EBPAQC tool, [Summary of Key plan document provisions in a defined contribution retirement plan audit](#).

An EBPAQC tool for audit evidence by audit area is currently being developed and will be announced in a future EBPAQC Alert.

2025 EBPAQC webcast calendar

[Click here](#) for the EBPAQC web event calendar for 2025, including dates and times, registration links, and Outlook links to hold the time on your calendar.

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