



retirement

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RETIREMENT PLAN AUDIT BEST PRACTICES:

improving accuracy while reducing audit costs



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Employee Benefit Plan Audit Experiences

- Who has been through an EBP audit?
- Experiences
 - *What went well?*
 - *What didn't go well?*



Background | *Why Auditors Do What They Do*

- Enhanced understanding and documentation of Plan controls over compliance
- Focus on compliance with Plan document when testing eligibility, contributions, investments, income and distributions
- Specific areas for auditor consideration of significant deficiencies or material weaknesses in controls
 - *Must report significant deficiencies and material weaknesses in controls to governance*



Plan Controls Over Compliance

- The audit is of the Plan, so the auditor looks to the Plan document for compliance matters.
- Management of the Plan is responsible for compliance with laws and regulations.
 - *Auditor is responsible for determining that management has controls in place to discharge their responsibility.*
 - *If auditor detects non-compliance, we report to management and management determines course of action.*



Auditor Considerations | 5 Key Compliance Areas

1. Eligibility

- *Is the Plan document being complied with?*

2. Contributions

- *Is the contribution determined in accordance with the Plan document and in accordance with the participants instructions?*
- *Is the withholding deposited on a timely basis?*
- *Is the database used for the ACP/ADP testing correct and are the required actions taken on a timely basis?*



Auditor Considerations | 5 Key Compliance Areas

3. Investments

- *Are investments being made in accordance with the participants instructions?*

4. Income

- *Is income allocated to a participant's account in accordance with the Plan document?*

5. Distributions

- *Are distributions made in accordance with Plan document and IRS rules regarding hardships?*
- *Are proper tax withholdings made?*
- *Are forfeitures handled in accordance with the Plan document?*



Reporting Non-Compliance | *Laws & Regulations*

The auditor determines whether financial statements and related disclosures are correct and complete.

- *Effect of non-compliance does not have to be known, only estimated*
 - *You can never know the future, but you can always make an estimate.*

The auditor can generally issue their report on Plan financial statements even if the future is uncertain.

- *Also, the DOL will generally accept an auditor's report that expresses uncertainty about the future*



Top 10 List of Plan Audit Mistakes

1. Late or disconnected delivery of plan information
 - census/trustee information
2. Disorganized personnel records or payroll records
3. Lack of understanding of plan documents
 - eligibility, match, compensation, etc.



Top 10 List of Plan Audit Mistakes (*con't*)

4. Outsourcing with a lack of plan controls
 - plan sponsor always has responsibility to maintain controls over plan transactions (contribution, distributions, payroll)

5. Lack of understanding your fiduciary responsibility to protect the participant

6. Low cost provider may not result in a quality audit
 - consider membership in the EBPAQC



Top 10 List of Plan Audit Mistakes (*con't*)

7. No communication of plan changes with auditor
 - amendments, compliance failures, etc.
8. Not maintaining plan documentation on record
9. Not aggressively pushing plan vendors (TPA, Trustee, & Custodian) to provide audit info
10. Not being engaged with audit findings
 - should be receiving a management letter with comments with a quality audit