MULTNOMAHGROUP

How to Conduct a Successful Retirement Plan Audit

In the retirement plan industry, conducting regular audits is essential to ensuring compliance and optimizing plan performance. But how can you conduct a successful retirement plan audit and ensure you get the most value from the exercise?

Here are some tips to help you plan, gather information, review plan operations, and report your findings.

Planning Your Audit

First and foremost, it's essential to plan your audit in advance. This means developing an audit checklist and determining the scope of the audit. Doing so can ensure that you're covering all the necessary areas and minimizing the risk of missing something important.

A successful audit plan has three important steps.

1. **Develop an Audit Checklist**
   Create a detailed checklist that outlines all the areas that need to be covered during the audit. This checklist should cover everything from plan documents and participant data to financial records and investment performance. Your auditor should assist you by defining the areas of their audit before the audit commences.

2. **Determine the Scope of the Audit**
   Decide on the scope of the audit by considering the plan size, the plan design's complexity, and any recent changes or updates. This will help to ensure that the audit covers all the necessary areas and that no important issues are missed.

3. **Set a Timeline**
   Set a timeline for the audit, considering any regulatory requirements or deadlines, but also with a mind toward the capacity of your organization to provide the necessary interaction with the audit process. While filing on the eve of the extended deadline for 5500s is not uncommon, many organizations prefer a schedule that front-loads the work and has the audit and filing concluded in the summer.

Tips for a successful retirement plan audit

Plan your audit. This means developing an audit checklist and determining the scope of the audit. Doing so can ensure that you're covering all the necessary areas and minimizing the risk of missing something important.

Gather Needed Information. This may include plan documents, participant data, and financial records.

Review plan operations. It is important to review the plan's operations and records to ensure that they are accurate and up-to-date. This will help identify potential issues or areas of concern that need to be addressed before the audit commences.

Report your findings. This is a crucial step in the process, as it allows you to communicate effectively with all parties involved and discuss how to address any actionable recommendations from the auditors.

Gathering Information

Once you've planned your audit, the next step is to gather all the necessary information. This may include plan documents, participant data, and financial records. Increasingly auditors can access information directly from recordkeepers and control documents from payroll, but knowing what will be needed and where it can be accessed can be useful in avoiding time consulting bottlenecks in the audit process.

Audit standards changed in 2021 and now require a written certification from the plan sponsor to the auditor as it relates to certain aspects of the audit. The auditor will likely request a written certification that an Employee Retirement Income Security Act (ERISA) Section 103(a)(3)(C) audit is permissible and that the entity providing the investment information (typically the plan's recordkeeper) is qualified to do so.

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This is a higher degree of involvement and oversight for the plan sponsors, so they should work with their auditor to be certain they understand what exactly they are certifying for accuracy.

Reviewing Plan Operations

Before the audit begins, it is important for the plan sponsor to review the plan's operations and records to ensure that they are accurate and up-to-date. This will help identify potential issues or areas of concern that need to be addressed before the audit commences.

Here are some key areas that should be reviewed:

- ✓ **Plan Documents**
  Review the plan documents to ensure that they accurately reflect the plan's provisions and are up-to-date with any recent changes in regulations or legislation.

- ✓ **Participant Data**
  Review participant data to ensure it is accurate and complete. This includes reviewing participant contributions, loans, distributions, and any other transactions.

- ✓ **Fiduciary Responsibilities**
  Review the plan's fiduciary responsibilities to ensure they are properly fulfilled. This includes reviewing the selection and monitoring of service providers and ensuring that the plan's fees are reasonable and competitive.

- ✓ **Compliance**
  Review the plan's compliance with all applicable laws and regulations, including ERISA and the Internal Revenue Code (IRC).

By reviewing these areas before the audit, the plan sponsor can identify any potential issues or areas of concern and take corrective action before they are identified during the audit. In addition, this information can be used to prepare a substantially complete draft 5500 for the auditor to review.

Parties that may be interested in the audit results extend from the plan sponsor, through the benefits and HR teams, to the fiduciary committee charged with plan governance and potentially even the audit committee of the Board.

Reporting Your Findings

Once your audit has concluded, it's time to report your findings to the plan sponsor and stakeholders.

This is a crucial step in the process, as it allows you to communicate effectively with all parties involved and discuss how to address any actionable recommendations from the auditors.

Parties that may be interested in the audit results extend from the plan sponsor, through the benefits and HR teams, to the fiduciary committee charged with plan governance and potentially even the audit committee of the Board.

Each of these groups may be impacted and can help identify areas to improve plan operations going forward.

Don’t forget – audits are required!

Conducting a retirement plan audit is a requirement for large plan sponsors governed by ERISA. By following the tips outlined in this guide, you can plan your audit effectively, gather all the necessary information, review plan operations thoroughly, and report your findings clearly, concisely, and effectively. Ultimately, this can help to ensure that the plan is operating at its best and reduce the likelihood of time-consuming and occasionally expensive operational errors.