

Plan Audit Preparation

A Segment in Our Retirement Rescue Series

It may be a Plan Sponsors' worst nightmare. You are contacted by the IRS or DOL and your Plan is being audited. Now what? Plan Audits happen to even the best Plan Sponsors. Understanding the agency's focus and what they might be looking for will help you plan for and experience a successful Plan Audit.

Part One. Agency Jurisdiction and Focus

Employer sponsored retirement plans can be audited by either the IRS and DOL. Based on named agency focus areas and five years of audit request letters, partners at the Chicago-based McDermott, Will, & Emery law firm compiled a list of the top areas investigated during IRS and DOL audits.

IRS Audits

The IRS has jurisdiction over a Plan's tax qualified status. IRS audits focus on compliance with the Internal Revenue Code and ensure proper internal controls are in place to maintain compliance. The top areas investigated during IRS audits include:

- Plan Compensation definition
- Plan Document updates and amendments
- Eligibility
- Plan loans
- In-service distribution rules
- Distribution paperwork
- Suspension of benefits
- Nondiscrimination testing
- Vesting
- Required Minimum Distributions
- Top-heavy testing
- QDRO procedures

DOL Audits

The DOL has jurisdiction over Fiduciary standards as well as reporting and disclosure requirements. DOL audits focus on compliance with the Employee Retirement Income Security Act (ERISA) and ensure that procedures and processes are followed. The top areas investigated during DOL audits include:

- Target date funds
- Revenue sharing and 12b-1 fees
- Float earnings
- Service providers
- Payroll deposits
- Fidelity bonds
- Participant notices
- Investment Policy Statements or investment guidelines
- Plan committee meetings
- Changing Recordkeepers

Plan Audits can elicit feelings of fear and worry in Plan Sponsors. Understanding each agency's focus and jurisdiction allows Plan Sponsors to concentrate their preparation efforts.

Gerrie, Nancy and Holdvogt, Jeffrey. View From McDermott: Top IRS and DOL Audit Issues for Retirement Plans. Pension & Benefits Daily™. The Bureau of National Affairs. 2014

401(k) Resource Guide - Plan Sponsors - What if You are Audited? Internal Revenue Service. 02 February 2015.