

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, but don't just cross your fingers and hope for the best. Proper preparation is the key to surviving a Plan Audit.

Part Two. Planning & Preparation

- ***Do NOT disregard the Audit Notice***
Whether it is from the IRS or DOL, an audit notice should not be ignored. Pay special attention to the deadlines for submitting data to the respective agency. The DOL typically allows for only 10 days for data submission. Deadlines may be extended if requested and deemed necessary.
- ***Contact Service Providers***
Service Providers that assist with the Plan's compliance efforts should be contacted immediately. These providers may be able to supply many of the documents requested by the agency. Alerting Service Providers early in the process will give them time to prepare. Additionally, notify any individuals who are key to Plan operations. These individuals will likely be called upon to explain administrative processes.
- ***Gather All Requested Documents***
The audit notice should contain a list of requested documents. Typically the request includes, but is not limited to, the Plan Document, Plan amendments, the Summary Plan Description, Form 5500 filings for the years under audit, and Plan records pertaining to eligibility, vesting, and testing.
- ***Conduct a Self-Audit***
During the audit, you will be expected to explain Plan terms and operations, internal controls, testing results, and more. To better prepare for the actual audit, conduct a self-audit by reviewing Plan Records and Operations for each year under audit.

Additionally, a self-audit will allow you to comb over the Plan for any errors that the audit may discover. Retirement plans are complex and mistakes do happen. If an error is found during a self-audit of the Plan, do not attempt to hide it from the auditor. Instead, look into correction options using the Employee Plans Compliance Resolution System, EPCRS, and bring the error, plan for correction, and method for future error prevention to the attention of the auditor. Willingly admitting any errors could lead to lessened penalties if warranted.

The bottom line when it comes to DOL or IRS audits is that preparation is key. It is much better to be proactive than reactive!