

# Retirement Plan Audit Guide



## WHAT YOU NEED TO KNOW ABOUT PLAN AUDITS

As a Plan Sponsor, you know that a retirement plan helps retain your most valuable resource, your employees. In addition, it helps your employees prepare for their financial future. As your business grows, so does your retirement plan, and you may be faced with the question, **Does my company retirement plan need to be audited?** To determine the answer, consider the following:

### How many Plan Participants are in your company retirement plan?

- ✓ An annual audit depends on the number of plan participants.
- ✓ A plan needs to be audited if it has 100 or more eligible participants at the beginning of the plan year.
- ✓ If you are the Sponsor of a company retirement plan with 100 or more eligible participants (active and former employees entitled to future benefits), you are legally required to obtain an independent audit for the plan as part of your annual Form 5500 tax return obligations.

### Who is an eligible plan participant?

The following types of participants are considered eligible and will be counted toward the 100-participant threshold:

- ✓ **Active:** Current employees covered under the plan. This includes employees that are eligible but not currently contributing.
- ✓ **Retired or Separated:** Former employees who are entitled to future benefits (i.e. have a balance remaining)
- ✓ **Deceased:** Deceased former employees with one or more beneficiaries who are entitled to future benefits.

### Know and understand the “80-120” Rule

The DOL understands that employee sizes fluctuate so they have created the “80-20” Rule. This rule allows plans with 80 to 120 participants to forego an audit if the plan fits the category of a “small” plan in the prior tax year. This exception can allow plans with more than 100 eligible participants to continue to file as a “small” plan indefinitely, as long as the number of plan participants doesn’t rise above 120.

### Still not sure?

Determining if your plan requires an audit isn’t always easy. If you have questions or you’re not sure if you need an audit, please contact your Sentinel Plan Consultant.

**We’re here to help!**  
[sentinelgroup.com](https://www.sentinelgroup.com)

# Helpful tips to prepare for a plan audit

Though some sponsors see audits simply as a necessary expense, an audit provides four major benefits:

1. Helps keep the plan “IRS ready” (i.e., compliant with plan provisions and applicable tax qualification requirements).
2. Helps protect plan assets from plan mismanagement.
3. Helps to review the timely deposit of employee contributions according to DOL rules.
4. Helps protect the plan administrator from penalties that result from an inaccurate Form 5500.

As you prepare for your plan audit, please keep the following in mind.

## LIMITED SCOPE AUDITS

Determine if your plan qualifies for a limited scope audit. Limited scope audits exclude investment values from the scope of the audit **IF** the assets are held at a regulated financial institution, such as a bank, insurance, or trust company that **certifies** that the value of the assets is complete and accurate pursuant to Department of Labor rules.

Limited scope audits do not exclude the review of certain plan operational practices, but they can reduce the time spent by the auditing firm reviewing investment information. This time-savings typically translates into cost-savings. Ask your auditor if they perform limited scope audits.

## SELECT A QUALIFIED AUDITOR

Plan sponsors have a fiduciary responsibility to engage a plan auditor that is qualified to perform retirement plan audits. Engaging an **independent**, licensed/certified public accountant to perform the plan audit is important. The following resources are available to help you in determining the right fit for you.

- The Employee Benefit Plan Audit Quality Center (EBPAQC) has published these guidelines.  
[www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality/Resources/PlanSponsorResourceCenter/DownloadableDocuments/Plan\\_Sponsor\\_Guidelines\\_preparing\\_RFP.pdf](http://www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality/Resources/PlanSponsorResourceCenter/DownloadableDocuments/Plan_Sponsor_Guidelines_preparing_RFP.pdf)
- The DOL’s Employee Benefits Security Administration developed the following booklet.  
[www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/selecting-an-auditor-for-your-employee-benefit-plan.pdf](http://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/selecting-an-auditor-for-your-employee-benefit-plan.pdf)
- The American Institute of Certified Public Accountants (AICPA) and EBPAQC compiled tools and resources of Plan Sponsors.  
[www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality/Resources/PlanSponsorResourceCenter/](http://www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality/Resources/PlanSponsorResourceCenter/)

## ENSURE A SMOOTH AUDIT BY:

- ✓ Keeping your Plan Documents in good order.
- ✓ Talk to your Third Party Administrator and Record-keeper about their audit support documentation.
- ✓ Download Sentinel’s Audit Checklist to help you get started.