

# HOT TOPICS IN PLAN AUDITS

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## DOES YOUR PLAN HAVE AN AUDIT REQUIREMENT?

- LARGE VS. SMALL PLAN
  - 80-120 RULE
- FIRST DAY OF PLAN YEAR
- LIMITED SCOPE OR FULL SCOPE

## 2013 DOL STUDY

- 400 AUDITS EXAMINED
- 39% HAD MAJOR DEFICIENCIES
- WHO IS YOUR AUDITOR?

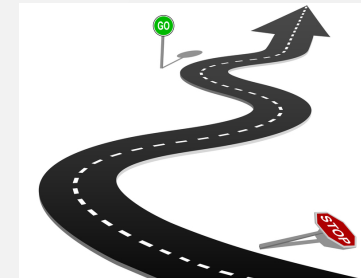


# DOCUMENTATION

- MINUTES!!!!
- IF IT'S NOT DOCUMENTED, IT HASN'T BEEN DONE
  - AMENDMENTS NECESSARY?
    - HOW IS THE PLAN RUNNING?
  - SERVICE PROVIDERS
    - DECISION MAKING ON HIRING AND RETAINING
    - FEES
    - REVIEW – ANNUALLY AT A MINIMUM
      - CAN NOT OUTSOURCE MONITORING OF SERVICE PROVIDERS
- INVESTMENT DECISIONS

# PLAN DOCUMENT

- PLAN ROADMAP
- OVERRIDES THE SUMMARY PLAN DESCRIPTION
- DEFINES HOW THE PLAN SHOULD FUNCTION
  - ELIGIBILITY REQUIREMENTS
    - IMMEDIATELY? COULD TRIGGER AUDIT REQUIREMENT
  - AUTO ENROLLMENT AND AUTO INCREASE
    - RE-SOLICITATION
  - DEFINITION OF COMPENSATION – BONUS?
- READ AND UNDERSTAND – IS IT FUNCTIONING AS WRITTEN?
  - AMENDMENT?



# TIMELY REMITTANCE POLICY

- TIMELY REMITTANCE POLICY
  - DOL GUIDANCE – AS SOON AS ADMINISTRATIVELY FEASIBLE
    - NO SAFE HARBOR AT 15<sup>TH</sup> BUSINESS DAY FOR LARGE PLANS
    - EXAMPLE: 20 DEPOSITS MADE WITHIN 1–3 BUSINESS DAYS, 2 DEPOSITS MADE WITHIN 4-6 BUSINESS DAYS
      - DOCUMENT WHY THERE WAS A DELAY
      - VACATION IS NOT AN EXCUSE – THERE SHOULD BE A BACKUP
      - SELF-REPORT ANY ISSUES – DOL GENERALLY TAKES A FRIENDLIER VIEW

# PARTICIPANT LOANS

- PARTICIPANT LOANS
  - HOW MANY ARE ALLOWED?
  - INTEREST RATE
  - DEFAULTED?
  - WHO APPROVES?
    - SPONSOR? - DOCUMENTATION OF VESTED BALANCE
  - HOURLY/SEASONAL EMPLOYEES
    - CHECK LARGE ENOUGH TO COVER LOAN DEDUCTION?

# HARDSHIP DISTRIBUTIONS

- HARDSHIP DISTRIBUTIONS
  - DOES PLAN ALLOW?
  - HARDSHIPS FROM INELIGIBLE SOURCES – UNVESTED EMPLOYER CONTRIBUTIONS
  - OTHER AVAILABLE SOURCES?
    - LOANS?
  - POOR RECORD KEEPING – IMMEDIATE AND HEAVY FINANCIAL NEED
  - ELECTRONIC HARDSHIP APPLICATIONS
  - DISCONTINUE CONTRIBUTIONS FOR 6 MONTHS
    - WHAT IS THE PLAN TO RE-ESTABLISH CONTRIBUTIONS?
    - WHO IS RESPONSIBLE?




## HARDSHIP DISTRIBUTIONS – CONTINUED

- ABUSE
  - IDENTICAL REQUESTS FROM MULTIPLE EEs
  - ONLY HIGHLY COMPENSATED EEs MAKE REQUESTS
  - LOWER LEVEL EEs NOT PROPERLY INFORMED OF OPTION

## ISSUES TO CONSIDER

- INCREASE IN MERGERS, SPIN-OFFS, ACQUISITIONS AND TRANSFER OF ACTIVITY
- DOWNSIZING LEADING TO FULL OR PARTIAL TERMINATIONS
- INCREASE IN AUTO ENROLLMENT
- INCREASE IN HARDSHIP WITHDRAWALS RELATED TO NATURAL DISASTERS
- PARTICIPANTS WORKING BEYOND RETIREMENT DATE – PLAN SPONSOR TO MONITOR MINIMUM-REQUIRED DISTRIBUTION RULES

# RESOURCES

- THE HIGHLANDS ACCOUNTING GROUP 
- DEPARTMENT OF LABOR
  - SELECTING AN AUDITOR FOR YOUR EMPLOYEE BENEFIT PLAN  
<https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/selecting-an-auditor-for-your-employee-benefit-plan.pdf>
- AICPA – PLAN SPONSOR RESOURCE CENTER
  - <https://www.aicpa.org/interestareas/employeebenefitplanauditquality/resources/plansponsorresourcecenter.html>

QUESTIONS?

