

Qualified Retirement Plans

How to avoid common errors with audits and
stay ahead of compliance issues

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The webinar will begin at exactly 2:00 p.m. CST



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Heather Smith
Operations Manager
Employee Benefit Services

Administration



If you need HRCI/CPE credit, please participate in all polls throughout the presentation.

Administration



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Administration



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Administration



Please provide your feedback at the end of today's presentation.

About the Speakers



Mark Schmelzle

- Leads the firm's financial services industry and employee benefit plan audit teams
- Works primarily with clients in the financial services, insurance, manufacturing, and distribution industries
- Assists clients with financial statement, employee benefit plans, and other types of attest services

About the Speakers



Heather Smith

- 12+ years of experience in the employee benefits industry; manages EBS group overseeing all system operations and services
- Credentialed as QKA; member of American Society of Pension Professionals and Actuaries
- Prior experience includes banking and trust administration

Learning Objectives

- What plan auditors are looking for and how to prepare for a more efficient audit
- Recognize compliance requirements to help avoid DOL/IRS penalties and fines
- Understand and be prepared to better avoid common plan operational errors
- Identify and help resolve errors in plan operations

Why do we have audits?



Based on number of participants

95 participants + filed as large plan prior year = Option to do the audit

101 participants + filed as large plan prior year = **NEED** an audit

101 participants + filed as small plan prior year = Option to do the audit

What Is The Objective Of The Audit?



**Express opinion on
financial statements**

What Is The Objective Of The Audit?



**Express opinion on
financial statements**



**Statements fairly
presented**

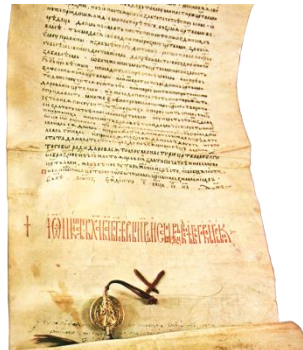
What Is The Objective Of The Audit?



**Express opinion on
financial statements**



**Statements fairly
presented**



**In accordance with
GAAP**

Steps of The Audit Process



Steps of The Audit Process



Understand the internal controls.

Steps of The Audit Process



**Gathering documentation and
testing the plan**

Steps of The Audit Process



Report on the statements.

Steps of The Audit Process



Assess risks
Understand the controls
Gather documentation
Test the plan
Report on the statements

How to Prepare for a Smooth Audit



**Identify point
of contact.**

Facilitate requests

Obtain information

How to Prepare for a Smooth Audit



**Set desired timeline
with milestones.**

Set expectations

How to Prepare for a Smooth Audit

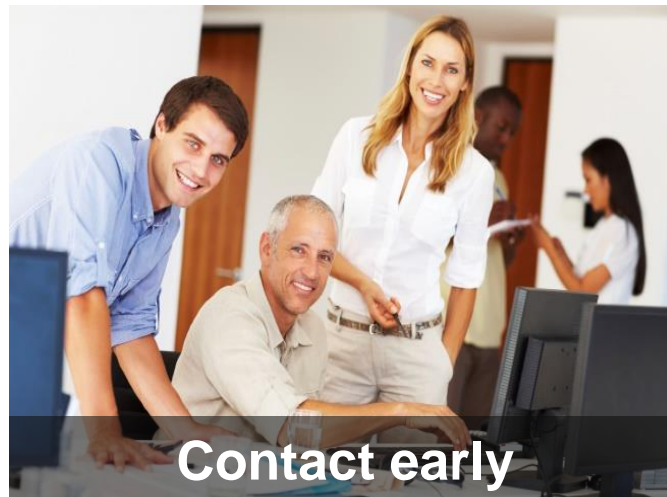


Contact service providers early.

Information sharing

Problem resolution

How to Prepare for a Smooth Audit



What do the Auditors Look at?

Investments

Full scope v. limited
scope procedures

Fair value disclosures



What do the Auditors Look at?

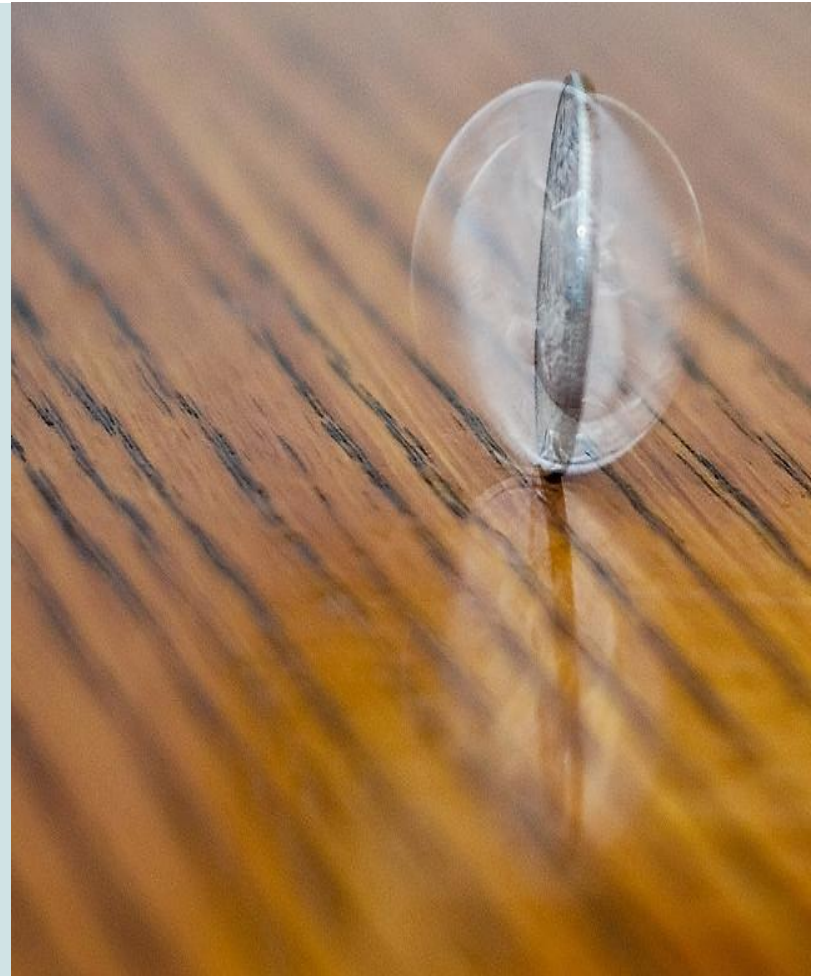
Contributions

Timeliness of deposits

Employee withholdings match elections

Receivables – cut off of year-end payrolls

Contributions from payroll reconciled with trust



What do the Auditors Look at?

Participant data

Census data
accuracy



What do the Auditors Look at?

Benefit payments

Distribution request forms

Type of distribution

Forfeitures



What do the Auditors Look at?

Financial reporting

5500 Reporting



What do the Auditors Look at?



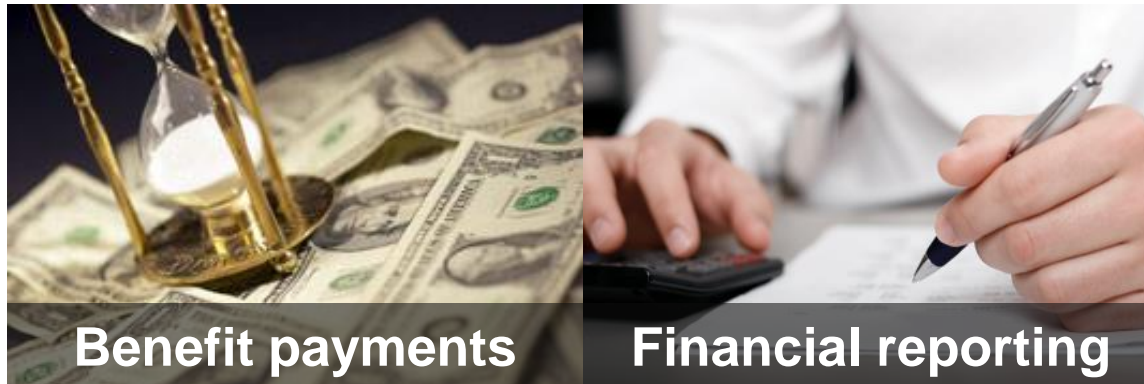
Investments



Contributions



Participants



Benefit payments

Financial reporting

What to do

T
i
HELPFUL
S

A hand holding a white marker, pointing to the word 'HELPFUL'. The word is written in black capital letters, with the letter 'P' highlighted in red. Above the 'P' is a red 'T' and below it is a red 'S'. The word 'HELPFUL' is written in a simple, hand-drawn style.

DOL Voluntary Compliance Program

Voluntary Fiduciary Correction Program (VFCP)

Self-correct plan mistakes

DOL Voluntary Compliance Program

Voluntary Fiduciary Correction Program (VFCP)

Self-correct plan mistakes

19 categories of transactions listed

DOL Voluntary Compliance Program

Voluntary Fiduciary Correction Program (VFCP)

Self-correct plan mistakes

19 categories of transactions listed

Acceptable methods of correction

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Voluntary Fiduciary Correction Program (VFCP)

Self-correct plan mistakes

19 categories of transactions listed

Acceptable methods of correction

Examples

IRS Compliance Resolution

Employee Plans Compliance
Resolution System (EPCRS)

IRS Compliance Resolution

Employee Plans Compliance
Resolution System (EPCRS)

Self-
Correction
Program
(SCP)

IRS Compliance Resolution

Employee Plans Compliance Resolution System (EPCRS)

Self-
Correction
Program
(SCP)

Voluntary
Correction
Program
(VCP)

IRS Compliance Resolution

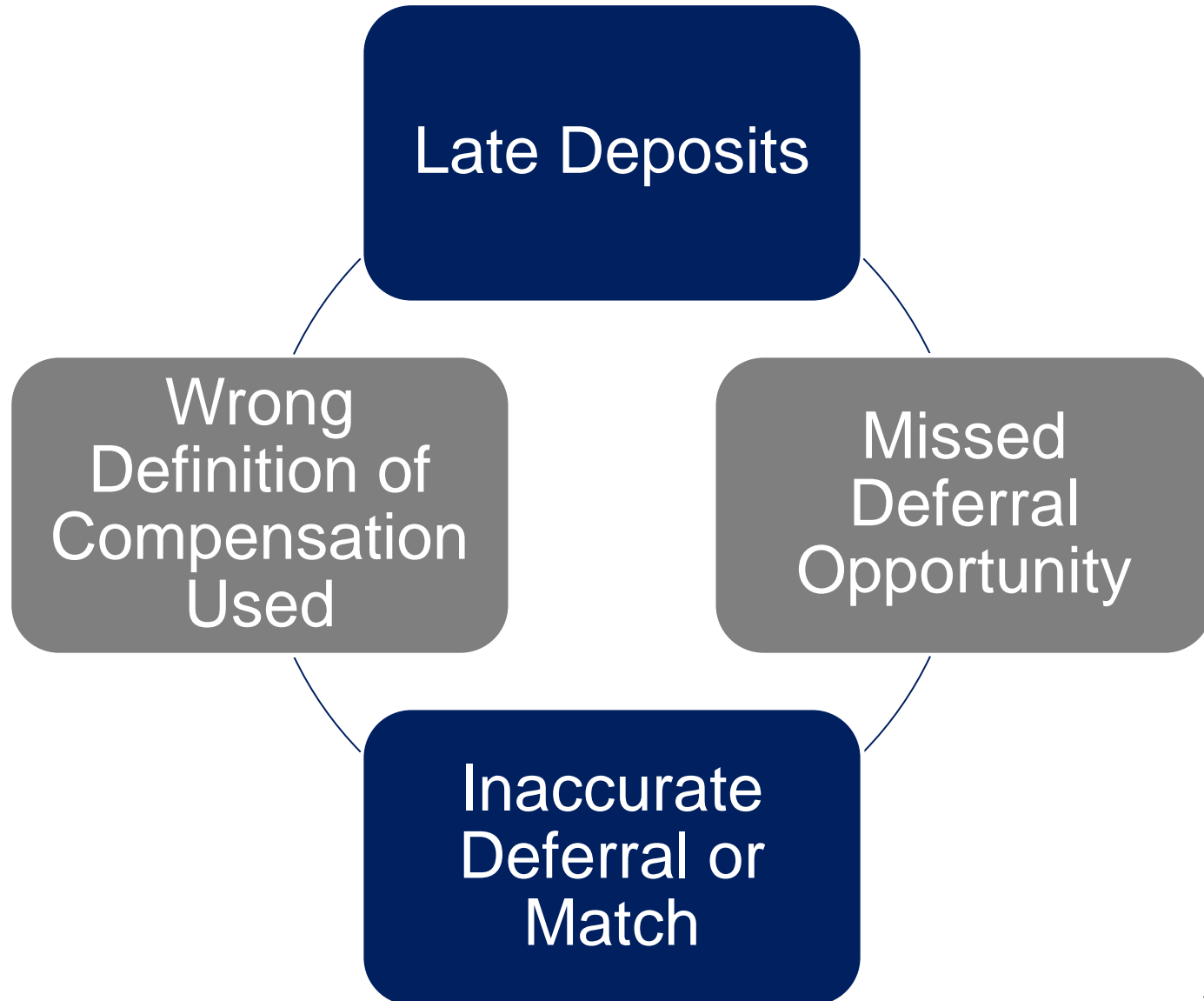
Employee Plans Compliance Resolution System (EPCRS)

Self-
Correction
Program
(SCP)

Voluntary
Correction
Program
(VCP)

Audit Closing
Agreement
Program
(Audit-Cap)

Common Compliance Issues and fixes



Common Compliance Issues and fixes

Late Deposits

Small plan safe harbor definition

No large plan safe harbor

How to correct

Common Compliance Issues and fixes

Missed
Deferral
Opportunity

Example

How to correct (SCP/VCP)

Calculation

50% funded by employer

100% of match

Earnings calculated/funded

Common Compliance Issues and fixes

Inaccurate
Deferral or
Match

Example

How to correct (SCP/VCP)

Calculation

50% funded by employer

100% of match

Earnings calculated/funded

Common Compliance Issues and fixes

Wrong
Definition of
Compensation
Used

Example

How to correct (SCP/VCP)

Calculation

Forfeit contributions

Distribute contributions

Tools to assist

[IRS 401\(k\) Plan Fix It Guide](#)

[IRS 403b Plan Fix It Guide](#)

[IRS Fixing Common Plan Mistakes](#)

[DOL Voluntary Fiduciary Correction Program](#)

[IRS Employee Plans Compliance Resolution System](#)

Thank You!


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