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Making Your Benefit Plan Audit Easier

AUDIT, ERISA

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Generally, any plan with 100 or more participants requires a plan audit. Whether your plan has already reached this threshold or you anticipate the plan reaching it in the future, here are some tips to help make your plan audit go more smoothly.

Documentation

Your auditors will want to see support for any items selected for testing. Be sure to only process a contribution, benefit payment, investment allocation change, etc. once you have obtained appropriate documentation from your participant. Keeping in mind, also, when your plan audit will take place. These audits can take place up to nine months after year-end. Many companies move files to storage areas after the fiscal year is closed. However, you will need to keep all of your payroll and benefit plan files on hand until the audit has been completed.

Many plan record-keepers provide interactive websites where employees can initiate transactions. In many cases, you can work with your plan recordkeeper to set up certain parameters in the software so that participants can only make elections that follow the plan document. By implementing a method like this, you avoid having to retain as much paper documentation and decrease the risk of human error.

Streamline Processes When Possible

To prevent errors or misstatement, find ways to automate or at least simplify your process. Auto-enrollment is a great way to ensure that all eligible employees participate. When new hires begin employment at your company, inform them of your benefit plan's auto-enrollment provision and provide them the option to decline enrollment. For any eligible employee who does not wish to participate, be sure to retain forms that show they declined enrollment. If they do not decline, they will be enrolled into the plan. Some payroll software can even communicate to certain benefit plan software, which allows for the data to be automatically uploaded. This means that you will not be chasing down enrollment forms, and you will not risk denying eligible employees access to the plan.

You can also simplify the calculation of employer contributions to prevent errors. Ideally, you would set up codes in your payroll system that would automatically calculate what each participant's employer contribution should be. If this is not possible, set up a spreadsheet to do most of the calculating for you. Download the necessary payroll and contribution data and test the accuracy of the data. Then set up all of the necessary formulas so that the spreadsheet will do the rest of the work for you. This can help ensure the accuracy of the calculation and will provide you appropriate documentation.

Follow Your Plan Document

Plan documents are certainly not always easy to read and interpret. At some point along the way, a provision can be misinterpreted. Or a new plan amendment could be made, but the old provisions are still being followed. It is important that the plan document and its amendments be reviewed periodically to ensure that the plan is operating in accordance with its provisions. If there are deviations from plan provisions, this will result in additional time spent providing your auditors with supporting documentation for additional samples and correcting the errors.

These are some suggestions to help you prevent errors and be better prepared for your benefit plan's audit.

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