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## Retirement Plan Audits

Retirement plans with 100 or more participants typically are required to have an audit performed as part of their obligation to file an annual Form 5500. Retirement plans potentially requiring an audit include 401(k) defined contribution plans, defined benefit plans, and employee stock ownership plans.

American Trust helps monitor participant count information using discrimination testing data and inform the plan administrator if and when an audit will be necessary.

### **80-120 Rule**

If your plan existed in the previous year, was treated as a small plan for that year (filed Schedule I with the Form 5500 or 5500-SF), and has less than 120 participants as of the beginning of the plan year, you may continue to file as a small plan, and no audit is required. There is no limit to the number of years this rule may be applied.

If your plan is a new plan and has over 100 participants at the beginning of the plan year, the plan's initial filing will be as a large plan and requires an audit. If your plan has been filing as a large plan, the number of participants must

drop below 100 before you may file as a small plan again. However, you may elect to continue filing as a large plan as long as the plan has over 80 participants. Most plan administrators choose to file as a small plan when they can to avoid the expense of an audit.

### **Audit Considerations**

If your plan is subject to an audit, one of the first things to consider is selecting the right accounting firm. You will want to choose a reputable accounting firm to maintain the integrity of your company and the plan. The Department of Labor has created a Frequently Asked Questions website to assist you in this process. It can be found at [www.dol.gov/ebsa/publications/selectinganauditor](http://www.dol.gov/ebsa/publications/selectinganauditor).

Other things to consider about an audit are the cost, how long the audit will take, when the audit will take place, if the plan qualifies for a limited scope audit, and what your plan service provider is able to provide in support of the plan audit. The Form 5500 filing deadline is the last day of the seventh month after the close of the plan year. A two and a half month extension may also be filed.

## Limited Scope Audit

If all or a part of a plan's assets are held by a bank, insurance company, or regulated trust company, the plan may qualify to have a limited scope audit. A limited scope audit allows the plan to have an audit where the auditor may rely on the certification of an institutional asset trustee or custodian to limit the scope of testing on any investment information. It is important to understand that under a limited scope audit the only portion of the audit that is limited is the testing on the investments.

## What American Trust does to Support Your Plan Audit

American Trust provides a point of contact who works directly with the auditor. To avoid confusion and duplicating work, we recommend the plan sponsor and auditors have one point of contact, as well. Auditors typically test/audit areas of contributions (employee and employer), distributions (in-service, terminations, hardships, loans), expenses, investments, earnings/losses, compliance issues regarding discrimination testing, documents, amendments, contribution timing, and more.

Our audit support professional prepares an initial audit package to forward to the auditor. The standard audit package includes the following reports:

- Draft Form 5500
- Plan document and/or amendments
- Nondiscrimination testing results
- Participant valuation statements
- Plan trust statements
- Trustee certification statement
- Distribution detail
- Loan summary (if applicable)
- Forfeiture detail (if applicable)
- Fund investment information

We provide full audit support and assist in any additional requests or information that the auditor may need. You, as plan sponsor, may be required to provide necessary information such as:

- Payroll records
- Employee records
- Any other information as requested by the auditor

## Completion of Plan Audit

Upon completion of the plan audit, American Trust completes a final Form 5500 and Summary Annual Report, attaches the required financial report prepared by the accountant, and publishes a signature-ready package to the plan sponsor website. The plan administrator is required to electronically sign and transmit the Form 5500 to the Department of Labor.

## What Can a Plan Sponsor do to Ensure Compliance?

One of the most important things you can do to ensure your plan remains compliant with IRS and DOL rules, as well as with the provisions of the plan, is to establish practices and procedures to assist with the day-to-day administration of the plan. The practices and procedures should define steps taken to ensure:

- The contributions and any applicable loan repayments are submitted to the plan in a timely manner
- Employees are made aware of the plan's eligibility provisions and are provided the opportunity to participate in the plan when they become eligible
- Participants are made aware of the distribution options under the plan, and a consistent process is followed when approving/disapproving any distributions and/or loans
- The plan administrator is frequently reviewing the adoption agreement as a reminder of the plan's compensation definition, eligibility, contribution, distribution, and loan provisions
- The plan administrator is reviewing reports provided by the service provider

*If you have any questions, please contact your Relationship Manager at 800.548.2995.*