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Put the 'Be' in Benefits: The 401(k) auditor's wish list

Being prepared, available and proactive leads to better audit experience, CPA says

By Kelly G. Parker, CPA
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As we approach the audit deadline for employee benefit audit plans, hopefully things are already in motion with your plan auditors. You have received the list of items they need to complete the audit, documents have been exchanged and meetings are planned. But what else can you do to make this year's audit more efficient, less painful and - dare we say - more enjoyable than last year?

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As an employee benefit plan auditor with more than 18 years of experience working with hundreds of defined contribution plans, I have gone over my past interactions with plan sponsors and created a "wish list" for the things all auditors would like from their plan sponsor clients. These wishes fall into three main categories: Be Prepared. Be Available. Be Proactive.

If you do these three things, you will be further on your way to meeting your audit deadlines, avoiding Department of Labor fees and penalties, and keeping your audit fees in line with original estimates. Not to mention your auditors will be easier to work with and even more effective.

Be prepared

* The largest part of preparation is being organized: Check over your plan records well in advance of the first auditor communication you receive. I suggest starting after your year-end.

* Your auditor should provide you with a document request list of the items they will need to perform the audit - start gathering those items immediately. An organized auditor usually will send out this list several months in advance; procrastinating could result in a scheduling delay, which means extensions, fees and possibly DOL penalties.

* Keep copies of plan documents and amendments together in one folder - this will save a lot of time in the long run, and you'll avoid scrambling to find each amendment when asked by the auditor.



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* Send all requested information from the third-party administrator to your auditor in one package, rather than send each piece one at a time as you have it ready. You will not only save your TPA's time, but your auditor's as well.

* Keep plan/account transactions separate from regular accounting files, and maintain this information on a consistent basis.

Be available

* Make yourself available to the auditors when they are working on your employee benefit plan audit, especially when they are onsite. When possible, coordinate your schedules so you are in the office on the same days, even taking lunch at the same time so you can be available when the auditors need you. It may feel limiting for those few days, but think of it as managing your company's investment in the auditing process.

* Provide your auditor with electronic access to your TPA's secure portal. That way, they can access the information easily and they won't have to take your time to get the information they need. They know what they are looking for and can find it immediately, rather than going through a third party. Also, auditors will be viewing your financial data in depth - they can be trusted with this high-level access, or they shouldn't be your auditors.

* When possible, respond to your auditor's requests within one business day. Audit teams are often organized to work on your 401(k) plan during a set time frame. Being responsive to their questions will keep them on schedule, which allows them to complete field work and have time for the partner review.

An uninterrupted timeline will result in full access to the firm's dedicated resources, quicker turnaround times and fewer annoying follow-up emails from the auditors.

Be proactive

* When you are asked to prepare a census to send to the TPA, send it to your auditors at the same time. You or the TPA eventually will have to send it to them anyway, so you are saving everyone a step.

* When there is an issue to resolve or a finding that the auditors need to report, work to fix it immediately.

* At year-end, fix any errors to receivables/payables. Are any monies owed to plan participants? Take care of those on your own before the auditor steps in almost half a year later to work on the audit.

* If you have a question, just ask. It is better to get the matter resolved now, before you are staring down the approaching audit deadlines.

This year, I encourage you to grant at least one of these wishes for your 401(k) auditors. It will make their day and will most likely improve the entire process.

Kelly G. Parker, CPA, has been with Piercy Bowler Taylor & Kern since 1993 and is the firm's practice leader in audits of defined contribution pension plans such as 401(k) and profit-sharing plans. He can be reached at kparker@pbt.com or 702-384-1120.

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