



# WHAT TO EXPECT FROM AN ANNUAL PLAN AUDIT

At Compass, we are always rooting for your growth, and considering the changes that this success brings to your Retirement Plan. It is important that you learn about **and prepare for** the components of a Plan Audit.

The DOL requires annual Plan Audits for plans with more than 120 participants (which is defined as all eligible employees, including any terminated employees that still have a balance in the plan). This is to ensure plan compliance and correct accounting of plan financial statements. The annual Audit must be conducted by an Independent Qualified Public Accountant.

## THE 80/120 PARTICIPANT RULE, SUMMARIZED:

This rule provides some relief for those plans that fluctuate between 80 and 120 participants from year to year. The precise determination for a Plan Audit will depend on how many participants your plan has on the first day of the plan year **and** how you filed your Form 5500 in the prior plan year. This is meant to be a summary, so please contact us if you have specific questions regarding your plan.

- If you did not need a Plan Audit last year and your plan is now between 100–120 participants, then you may defer and do not need an Audit this year
- If you did have a Plan Audit last year and your plan is now between 100–120 participants, then you will need an Audit again this year
- If your participant count is over 120 on the first day of the plan year, then you are considered a Large Plan and will need an Audit regardless of your status last year
- If you did have a Plan Audit last year and your participant count is now between 80 – 99, then the Audit is optional (below 80 participants, no audit is required)

## SPECIAL RULES FOR MULTIPLE EMPLOYER PLANS (MEP):

If you are part of an MEP or have recently joined an MEP, then you may be required to have your plan audited even if you do not have over 120 employees. Plan Audit rules consider the combined number of participants across all employers in the MEP, not just your individual plan (this is specific to closed MEPs).

The information below will give you some helpful tips in guidance on what to expect when going through an annual Plan Audit.

**Internal Controls: There must be processes in place.**

- Often obtained through a detailed questionnaire provided by the Auditor, or through written procedure statements
- Auditors need to know how your company handles each specific plan process

**Responsible Parties on the Plan: You will need to identify each person or service provider involved with your plan (both external and internal).**

**Payroll Reports / Journals: The Auditors will need reports and records from your payroll to verify all employees and plan contributions.**

- They will also ask for a record of Deferral Changes and new Enrollments

**Contributions Submitted Timely: The Auditors will also check to see if all contributions were submitted timely during the plan year.**

- Remittance schedules

**Employee Sampling: The Auditors will select specific employees at random for testing.**

- This could include confirmation of the employee's information and elections (including any changes made to their deferral amount)
- Auditors may also want to communicate directly with an employee via a letter sent from you as the employer

**Documentation: The Auditors will need copies of all plan-related materials.**

- Investment Policy Statement & Meeting Minutes
- All Plan Documents, Form 5500, Financial Statements and Compliance Testing

**Trust Reports: The Auditors will request detailed Trust Reports as well as confirmations from your Investment Provider on certain transactions that occurred during the plan year.**



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