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JO Knows 5 Tips for a Successful Retirement Plan Audit

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s your 401(k) plan ready for its annual audit? A successful 401(k) audit is crucial for ensuring compliance with regulations and safeguarding employee retirement assets. Here are 5 tips to help achieve a smooth and efficient audit:

1. Maintain Accurate and Organized Records

Ensure that all plan-related documentation is up-to-date and easily accessible, including participant data, payroll records, contributions, and plan amendments. Proper documentation helps auditors verify compliance with ERISA (Employee Retirement Income Security Act) and other regulatory requirements.

2. Conduct Pre-Audit Internal Reviews

Perform internal reviews of plan operations, data, and financials prior to the audit. This includes checking for discrepancies in employee or employer contributions between payroll and plan records, ensuring timely deposits of contributions and verifying eligibility criteria. A pre-audit self-assessment can minimize disruptions and reduce the risk of audit findings.

3. Work Closely with Your Auditor and Other Third-Parties

Maintain open and responsive communication with your auditor, TPA and advisor. Establish timelines for data requests, address any questions or concerns promptly and be proactive in providing requested audit documentation. Clear and transparent communication ensures the auditor has all the necessary information to complete the audit in a timely manner.

4. Focus on Internal Controls

Errors are often identified when controls are not in place to prevent them from occurring. For example, contribution limits should be set in the payroll software to ensure participants cannot contribute over the maximum limits on an annual basis. Another example is reviewing pay codes to ensure they are properly coded as eligible or ineligible compensation for purposes of employee deferrals and employer contributions. Checks and balances should be in place at the plan sponsor level to avoid any potential errors. All processes and controls should be reviewed at least on an annual basis by plan management.

5. Document all Discrepancies and Corrections

If discrepancies are found, work with your auditor, TPA and advisor to quantify the errors and take any necessary corrective action. Ensure that any issues, such as late deposits or errors in contribution calculations, are promptly corrected and disclosed as necessary.

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