

# | What to Expect as you're Preparing for an Audit

Many plans face significant challenges in establishing plan accounting records and proper controls, identifying all participant accounts to be included as plan assets, determining beginning account balances, obtaining other financial information to be included in the plan's financial statements, and obtaining an unqualified opinion on the plan's financial statements from the independent auditor.

To help you prepare, included are examples of the types of questions that plan management may be asked by the plan's independent auditor.

## General

- Have any plan amendments been adopted or become effective for the year under audit, or after the plan's year-end?
- Has the plan sponsor had any communication from its auditors regarding material weaknesses or significant deficiencies in the sponsor's internal controls?
- Is there an intention to terminate or change the plan?

## Plan Reporting and Governance

- Who prepares the Form 5500 s and plan financial statements? What are their qualifications and experience?
- Who reviews the financial statements and disclosures?
- Does the plan sponsor have an internal audit function that has performed any procedures related to the plan?

## Service Providers and Controls

- Have there been any changes in plan management or internal systems (e.g., payroll, human resources, in-house recordkeeping, etc.) during the year under audit?
- Have there been any changes in service providers (e.g., trustee/asset custodian, investment managers, record keeper, legal counsel, etc.) during the year under audit?
- Do any of the service providers provide SAS 70 reports? Are they Type I or Type II reports?
- What payroll/HRIS system is used for employees covered by the plan? Is the system centralized or decentralized (for payroll inputs, processing and remittance of employee 403(b) contributions)?

## Other

- What is your expected deadline for all of the audits?
- Do you have detailed contribution schedules by company/division by payroll date for employee deferrals that show in detail when monies were deposited into the trust?
- Have you experienced delinquent employee contributions to any of the 403(b) plans?

## Financial Statements You Should Prepare for a 403(b) Audit

The Department of Labor requires a comparative Statement of Net Assets Available for Benefits (a balance sheet). The 2008 balances should reflect all participant contracts associated with the Plan from all vendors for all years.

Because this is a tremendous burden on 403(b) plan sponsors that have never had to gather this information previously, the plan sponsor needs to show **a good faith effort** was made to obtain the previous year's information for the audit.

If the following criteria are met, the individual contracts or custodial accounts do not have to be reported as plan assets on the Form 5500:

- The contract or custodial account was issued to a current or former employee prior to January 1, 2009;
- The employer ceased to have any obligation to make contributions (including employee salary reduction contributions) and, in fact, ceased to make contributions to the contract or account before January 1, 2009;
- All rights and benefits under the contract or account are legally enforceable against the insurer or custodian by the individual owners of the contract or account without any involvement by the employer; and
- The individual owner of the contract is fully vested in the contract or account.

Note: Under these four criteria, in addition to the exclusion of plan assets on Form 5500, current or former employees with contracts or accounts **do not have to be counted as participants with regard to the audit requirement determination.**

Information in this resource are excerpts of *Section 403(b) Retirement Plan Financial Statement Audits, Questions to Expect From Your Plan Auditor* prepared and provided by the AICPA Employee Benefit Plan Audit Quality Center. SVA is a proud member of the AICPA Employee Benefit Plan Audit Quality Center.