

Beyond

> THE NUMBERS

Why a Financial Statement Audit of my Plan is Important

A financial statement audit assists participants, plan management, and the DOL to assess the plan's present and future ability to pay benefits. It helps protect the financial integrity of the plan which helps users determine whether the necessary funds will be available to pay promised benefits to participants.

Does my Plan Need an Audit?

ERISA generally requires "large plans" to have an audit of the financial statements. The general rule is that plans with 100 or more participants at the beginning of the plan year are considered "large plans," and plans with fewer than 100 participants are considered "small plans." However, there are exceptions to this general rule. For instance, certain plans with 100 to 120 participants may be exempt from the annual audit.

Determining the Number of Participants

Determining the number of participants is not as simple as it may seem. It is not simply the number that are participating, but includes all who are eligible, even if they are not currently participating. There are generally three types of eligible participants:

- *Active*: currently employed, covered under the plan, and who are earning or retaining credited service. This includes all who are eligible, even if not participating.
- *Retired or separated*: no longer employed, but are either receiving benefits or entitled to receive benefits.
- *Deceased*: passed away, with one or more beneficiaries who are currently receiving (or entitled to receive) benefits under the plan

The 80-120 Participant Rule Explained

This rule provides some relief for those plans that frequently fluctuate between slightly more or less than 100 participants from annually switching between categorizing as a "small" plan and a "large" plan each year. It provides that plans with between 80 and 120 participants at the beginning of the current plan year may elect to complete the current year return using the same category (that is, "large" plan or "small" plan) that was used in the previous year. The following table can assist in categorizing your plan.

Number of Participants at Beginning of Current Year	Requirements followed for the Previous Year Form 5500	Requirements to Be Followed for the Current Year Form 5500
< 80	"Small" plan	"Small" plan
< 80	"Large" plan	"Small" plan
80-99	"Small" plan	"Small" plan
80-99	"Large" plan	May elect to file Form 5500 again as a "large" plan or switch to a "small" plan
100-120	"Small" plan	May elect to file Form 5500 as a "small" plan again or switch to a "large" plan
100-120	"Large" plan	"Large" plan
> 120	"Large" plan	"Large" plan
> 120	"Small" plan	"Large" plan

Success

> PUTTING IT TOGETHER

The Importance of Hiring a Quality Auditor

Hiring of a plan auditor is considered a fiduciary function. Therefore, there is a potential for liability if a quality audit is not performed. Fiduciaries who do not follow the basic standards of conduct may be personally liable to restore any losses to the plan. In addition, the DOL has the right to reject filings and assess penalties up to \$1,100 per day. As such, plan administrators should use care and prudence in hiring a quality plan auditor.

Additional Resources

The Importance of Hiring a Quality Auditor to Perform Your Employee Benefit Plan Audit. A guide provided by the American Institute of CPAs to assist plan sponsors in understanding their fiduciary and other responsibilities with respect to hiring an auditor for their plans. <https://www.aicpa.org/interestareas/employeebenefitplanauditquality/resources/plansponsorresourcecenter/auditqualityandauditorselection.html>

Selecting an Auditor for Your Employee Benefit Plan. The DOL's Employee Benefits Security Administration (EBSA) has developed a booklet titled Selecting an Auditor for Your Employee Benefit Plan to assist plan administrators in selecting an auditor. <https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/selecting-an-auditor-for-your-employee-benefit-plan.pdf>

Why Should I Choose Barnes Dennig?

Barnes Dennig audits more than 130 plans, ranging in size from 100 to more than 3,500 participants and \$300,000 to \$350 million in assets. Barnes Dennig is one of the country's Top 100 firms for employee benefit plan auditing. Perhaps not surprisingly, we are members of the AICPA Employee Benefit Plan Audit Quality Center. The members of our EBP team hone their skills by performing more than 170 plan audits a year.

If your company's plan has met the threshold and a benefit plan audit is needed, contact us to see how we can provide a quality audit that meets the requirements of all regulatory agencies and lets your employees know their assets are secure.



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