



A DEEPER LOOK

Selecting an Auditor for Your Employee Benefit Plan

According to the U.S. Department of Labor, not every CPA firm is qualified to do an employee benefit plan audit. Because this type of audit is so specialized, you should hire a firm that is specialized, too.

Below are guidelines that the Department of Labor provides to help in the selection process. We thought we'd share these strategies with you.

Why is the choice of an auditor important?

A quality audit will help protect the assets and the financial integrity of your employee benefit plan and ensure that the necessary funds will be available to pay retirement, health, and other promised benefits to your employees. A quality audit also will help you carry out your legal responsibility to file a complete and accurate annual return/report for your plan each year. Because an incomplete, inadequate, or untimely audit report may result in penalties being assessed against you as the plan's administrator, selection of an experienced and reliable auditor is very important.

Should a plan auditor have experience in auditing employee benefit plans?

One of the most common reasons for deficient auditor's reports is the failure of the auditor to perform tests in areas unique to employee benefit plan audits. The more training and experience that an auditor has with employee benefit plan audits, the more familiar the auditor will be with benefit plan practices and operations, as well as the special auditing standards and rules that apply to such plans. In some instances, a less experienced auditor may be assigned to perform routine audit procedures in order

to reduce audit costs. When this happens, you should confirm that an experienced employee benefit plan auditor will review his/her work, as well as perform the more complicated audit procedures.

Should I request references and check licenses?

When engaging an auditor, you may wish to obtain references and discuss the auditor's work for other employee benefit plan clients.

Can I limit what the auditor reviews?

Federal law permits the administrator of an employee benefit plan to limit an audit when plan assets are held by banks or insurance companies and written certifications are provided by the institutions holding those assets. You should consult with your accountant, attorney, or plan advisor to determine whether limiting the scope of an audit is appropriate for your plan.

Will I have to furnish or prepare documents for the auditor?

It is generally the responsibility of the administrator to maintain plan financial and other records. Many of these records will need to be made available to the auditor for review in the course of the plan audit. If a third-party service provider maintains plan records, you will need to arrange for auditor access to these records.

What happens when the audit is complete?

At the conclusion of the audit, the auditor will issue a report and state an opinion on the plan's financial

statements as well as any schedules required to be included as a part of the plan's annual report filing. Auditors will also report on significant problems, if any were found. The auditor may also suggest ways for you to improve internal controls and plan operations. This is a good time for you to ask questions about the auditor's work.

What questions should I ask the auditor about his/her work?

Frequently audits are found to be deficient because of the failure of the auditor to conduct tests in areas unique to employee benefit plans. Accordingly, you should make sure that your auditor considered the following areas:

- Whether plan assets covered by the audit have been fairly valued
- Whether plan obligations are properly stated and described
- Whether contributions to the plan were timely received
- Whether benefit payments were made in accordance with plan terms
- If applicable, whether participant accounts are fairly stated
- Whether issues were identified that may impact the plan's tax status
- Whether any transactions prohibited under ERISA were properly identified

A well performed audit is a vital protection for your employee benefit plan. It is in your best interest and that of your plan's participants to maximize the results of the audit process.

If you are not sure if your plan is being managed properly, or would like to discuss how one of our advisors can assist, please contact your Gettry Marcus advisor or email us at info@gettrymarcus.com.

To learn more about Gettry Marcus visit www.gettrymarcus.com

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