

Employee Benefit Plan Auditing



thinking strategically to your best advantage



Babush, Neiman, Kornman & Johnson, LLP
Certified Public Accountants & Consultants



Employee Benefit Plan
Audit Quality Center

An independent plan audit does more than meet regulatory requirements. It should advise you on how to better manage the plan.

The Facts

There are a tremendous number of legislative and regulatory developments affecting Employee Benefit Plans under the Employee Retirement Income Security Act of 1974 (ERISA). The Internal Revenue Service (IRS) and the Department of Labor (DOL) continually expand their regulations and enforcement activity. Increasingly, the DOL is placing more and more emphasis on the financial reporting requirements, disclosure to participants and beneficiaries and standards of conduct for plan fiduciaries.

Current regulations require plan sponsors with 100 or more participants to provide audited financial statements with annual 5500 filings. Plans with fewer than 100 participants that do not meet specific bonding and qualified investment requirements are also required to provide yearly audited financial statements. Failure to provide audited financial statements is considered an incomplete filing and can result in penalties up to \$1,000 per day and even risk disqualification of the plan.

BNKJ understands audit and filing requirements for full scope and limited-scope audits.



Employee Benefit Security Administration (EBSA)

EBSA conducts onsite, quality reviews of auditor work papers. If plan audits are not up to standard, the filing is considered incomplete and the plan sponsor is subject to penalties up to \$50,000.

The BNKJ Audit Advantage

The IRS and the DOL randomly audit employee benefit plans. If one agency finds a problem, the other is notified, and typically both get involved. This is a situation to avoid at all costs with fiduciary liabilities so high. **BNKJ can identify trigger points that may cause these agencies to conduct unsolicited audits.** At BNKJ, we have developed a practice niche with a full spectrum of employee benefit plan services. The type of benefit plans we audit cover a broad spectrum.

- 401(k) plans.
- Profit sharing plans.
- Defined contribution pension plans.
- Defined benefit pension plans.
- Health and welfare benefit plans.

BNKJ's approach allows us to address the design and administration of your plan.



ERISA Specialization

BNKJ views employee benefit plan audits **as an important piece of our practice. We pride ourselves on retaining the same staff year after year on your audit**, unlike other firms, who assign inexperienced personnel to cover ERISA audits. With ERISA audit experience under their belts, you will not have to train our auditors in the intricacies of ERISA regulations. You become familiar with our staff and our patented, comprehensive, preplanning process.

Quality Center

BNKJ is a member of the newly formed Employee Benefit Plan Audit Quality Center. The American Institute of Certified Public Accountants recently created the center to promote and improve the quality of employee benefit plan audits.

Team Approach

Our auditors are specialists in benefit plans and give you something extra. **We not only concentrate our efforts on the historical aspects of your organization, but also try to project future needs with our team approach.** Acting as a coordinator, these knowledgeable professionals work closely with plan sponsors, trustees, custodians and administrators. The result is a complete package of ERISA audit and assurance consulting services.

**Our experienced
employee benefit
plan auditors
reduce
administrative
time spent
gathering data and
answering questions.**



Our audit services assist with all the mandated financial reporting requirements.

BNKJ's specialized ERISA assurance consulting services take you a step further beyond the required audit.

They are designed to reduce risks associated with fiduciary responsibilities and to ensure that plans operate correctly with the use of sound internal control methods.

Streamlined Planning

We use specialists that know employee benefits and your business. They have the knowledge to help **keep you on track** during these information-driven audits. We

understand that effective daily operations of your organization is the **key to your success**, so we work with

your personnel to provide an **effective, efficient audit with minimum disruption** to your day-to-day operations.

We are extremely proactive and prepare detailed document request lists and audit schedules way ahead of time for both you and your service providers.

It is impossible, impractical and cost prohibitive to test all data. At BNKJ, we have conventional techniques to sample transactions during the audit.

BNKJ's services include preparation of plan financial statements for benefit plans for which we are not the auditors.



Financial Statements

Plan sponsors are required to prepare financial statements, but in a large number of cases, plan sponsors do not have the resources or expertise to prepare them. For audits which do not fall under the Public Company Accounting Oversight Board (PCAOB) rules, BNKJ prepares plan financial statements as a service to these clients. Certain retirement plans of public companies are required to file a Form 11K with the Securities and Exchange Commission. PCAOB independence rules preclude audit firms from preparing plan financial statements for these engagements.

BNKJ offers plan financial statement preparation services for plans for which we are not the auditors.

BNKJ's expertise ensures all statements are in accordance with both generally accepted accounting principals (GAAP) and DOL guidelines.

All of our financial statements include the appropriate schedules and proper disclosures to meet DOL requirements to avoid unnecessary scrutiny and possible red flags by all government agencies.

How do you know if your plan is operating properly? BNKJ has developed a checklist to validate plan operating procedures.



Internal Control Consulting

For plan sponsors, benefit audits are a legal necessity. However, the audit process can uncover potential risks that could trigger IRS audits, DOL exams or financial penalties. Or even worse, expose problems that prevent the plan from operating correctly. **We help plan sponsors avoid unnecessary expenses, manage and minimize challenges** before the situation gets out of control with our internal control analysis services.

Internal Control Analysis

BNKJ has developed standard internal controls checklists. Our internal control checklists guide you through implementing your own procedures. These procedures will **ensure plan compliance and routine internal control procedures** for contributions, loans, rollovers and distributions.

IRS & DOL Audit Representation

The IRS and the DOL focus on different issues during audits. The DOL conducts financial and performance audits, looking for potential violations of fiduciary responsibility under ERISA. The IRS looks at plan provisions such as who is included and excluded from a plan. **BNKJ represents plan sponsors during audits.** Our primary goal is to obtain a clear understanding of the intent of the audit. In doing so, **we take control of all communication and document requests** to minimize disruption in your operation.



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