Fiduciary Services Group

Wrapping Up the Large Plan Retirement Audit Process

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Wednesday, August 26 | 1:00 p.m. ET

Today's Roadmap

What we'll cover

1. **When retirement plans require an annual audit**
   Participant counts and the audit threshold

2. **Participant counts and the 80/120 rule**
   Including the definition change effective 2023

3. **What Your Auditor Will Need**
   Which documents can our team assist you with

4. **Audit timeline and Form 5500 deadlines**
   Extensions, penalties, and correction programs

5. **Common auditor requests and documentation**
   What to gather and when

6. **How findings are identified and resolved**
   Late deposits and operational failures

7. **Best practices for a smooth audit**
   Eight habits that prevent delays

8. **What if the audit isn't finished timely**
   Options as October approaches

Does the Plan Need an Audit?

Participant counts, the 80/120 rule, and what changed for 2023 plan years

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What triggers a large Form 5500?

Plan years before 2023

- Every employee eligible to participate was counted — whether they ever made or received a contribution
- Terminated employees with an account balance
- Beneficiaries and alternate payees with a balance
- Result: plans with large eligible-but-not-participating populations crossed the threshold quickly

Plan years beginning on or after 1/1/2023

- 401(k) and 403(b) plans, count only participants with an account balance. (*Eligible employees that hold no balance are excluded from filing determination)*
- Terminated participants and beneficiaries with balances still count
- Measured as of the first day of the plan year (*except for initial plan year*)
- Result: Fewer plans requiring an audit

Net effect: Many defined contribution plans now report far fewer “participants” — and some dropped below the audit threshold entirely. Verify the count each year; status is not permanent.

The 80/120 rule

Fewer than 80

participants with balances

File as a small plan

No IQPA (Independent Qualified Public Accountant) audit required.

80 to 120

participants with balances

Elect prior-year status

May file in the same category as the prior year — this is where the 80/120 election lives.

More than 120

participants with balances

File as a large plan

IQPA audit required and attached to the Form 5500.

Three things people get wrong

- The count is a snapshot at the beginning of the plan year — not year-end, and not an average. The only exception is the first plan year.
- The 80/120 election only works if the plan actually filed in that category the prior year.
- Crossing the threshold mid-year does not trigger an audit — next year's beginning-of-year count does.

Form 5500-SF vs. Form 5500 with Schedule H

	Small plan filer	Large plan filer
Form filed	Form 5500-SF if eligible; otherwise Form 5500 with Schedule I	Form 5500 with Schedule H
IQPA audit	Generally waived	Required — report and financial statements attached to the filing
Financial reporting	Simplified financial information	Full Schedule H detail, reconciled to trust reports
Determined when	First day of each plan year	First day of each plan year

Form 5500-SF is only available to a small plan that also meets each simplified-filing condition — among them, holding 100% of assets in eligible assets with a readily determinable fair value, holding no employer securities, being eligible for the audit waiver, and not being a multiemployer plan.

Information Gathering & Support

What you'll need to have available for the plan's auditor

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Recordkeeping reports

Audit package
The primary source for most audit testing — request it first.

Participant account data & transaction detail
Contributions, distributions, loans, transfers, and forfeitures at the participant level.

Form 1099-R
Auditors will want a copy of the 1099-R reporting related to any participant distributions for the plan year.

Trust statements & investment reports
Supports Schedule H asset and income reporting.

Ad hoc reports
Usually fastest when the auditor has direct access to the recordkeeping system.

Tip: *granting the auditor read-only access to the recordkeeping system early removes an entire round of email requests. Our team can assist with granting this access.*

Compliance testing & draft Form 5500

1 Plan Sponsor to Auditor:
Copies of Annual Compliance Testing & Form 5500 (Draft)

Prepared from three inputs:

- The trust reports and audit package
- Census data provided by the client
- Plan document information

2 Our Team to Auditor:
Coordination and clarification

- Explaining data and assisting with auditor questions on reporting
- Plan documents, amendments, and compliance testing results
- Reporting the listing of late deposits exactly as identified by the auditor

Note: We do not independently determine late deposits for audit purposes. Late deposits are initially identified by the client in the year-end questionnaire, timeliness of deposits is tested by the auditor, and the final determination made by the plan's auditor.

Late deposits: Who does what

1

Client

Identifies potentially late deposits in the year-end questionnaire, using payroll and funding dates.

2

Auditor

Completes a review of all deposit timing and determines which deposits are late based on DOL standards.

3

Form 5500

Our team will update the Form 5500 before it is sent for signature to report late deposits as reported by the auditor in the financials and supplemental schedules.

What this means in practice

- We list late deposits exactly as the auditor deems them late — we do not challenge or re-adjudicate timing for audit purposes.
- If the questionnaire and the auditor disagree, the auditor's determination governs the filing.
- Correcting the deposits (lost earnings, VFCP if applicable) is a separate workstream from reporting them.

Timeline & Deadlines

Filing dates, extensions, penalties, and the DOL correction program

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Form 5500 filing deadlines

The rule

Due seven months after the end of the plan year. Extendable by an additional two and a half months by filing Form 5558 on or before the initial due date.

For a calendar-year plan: **July 31 · initial** → **October 15 · extended**

Most large plan filers extend

Extending as a matter of course gives the IQPA audit room to finish without a deadline scramble.

Form 5558 is now electronic

Since January 1, 2025, the Form 5500 extension request can be filed through EFAST2 rather than on paper.

Filing itself is electronic

All Form 5500 series returns are submitted through the DOL's EFAST2 system.

Note: *the Form 5558 extension must be filed by the initial due date — a late 5558 does not extend anything.*

Audit timeline – Current status

Q1	Q1-Q2	Q2-Q3	By 7/31	Aug-Sep	By 10/15
Confirm & Engage	**Gather Data**	**Fieldwork**	**Extend**	**Finalize**	**File**
Run the beginning-of-year participant count, confirm whether an audit is required, and engage the IQPA.	Return the year-end questionnaire and census; request the audit package.	Auditor testing and requests; draft financial statements take shape.	File Form 5558 to move the deadline to October 15.	Financial statements issued; review the draft Form 5500 and supplemental schedules.	Submit Form 5500 through EFAST2 with the audit report attached.

We are in peak audit season with auditors focused on completing field work and drafting financials to ensure they are completed by the 10/15 deadline.

Steps to the Finish Line

1. Draft Financials Provided to you by the Auditor
2. Email a copy of the draft financials to your Service Contact
3. Our Team updates the draft Form 5500 (reconciling to the Financials)
4. Provide the updated Form 5500 to the Auditor
5. Auditor will provide a Management Rep Letter for you to sign
6. Upon receipt of signed letter, Auditor will issue final Financials for 2025
7. Send final Financials to your Service Contact, **no later than October 8th**
8. Our Team uploads the Financials and attachments to the Form 5500
9. Form 5500 is sent to you for electronic filing
10. Electronically sign the Form 5500 and you're done!

The cost of filing late

Internal Revenue Service

$250

per day the return is late

Capped at $150,000 per return

Department of Labor

$2,739

per day, with no overall maximum

2026 amount — adjusted annually for inflation

Why this matters even when you file "on time"

- Both agencies can assess penalties for the same late filing — they are not mutually exclusive.
- A large plan filing submitted without the required audit report is incomplete, which can be treated as a failure to file.
- Penalties run from the original due date (7/31 for calendar year plans), so an incomplete October filing does not stop the clock.

DFVCP: A substantially better outcome

The DOL's Delinquent Filer Voluntary Compliance Program is straightforward to use and replaces the daily penalty with a capped user fee.

Filer type	Per late filing	Per plan cap
Small plan filer	**$750**	$1,500 when two or more years are submitted together
Small plan sponsored by a 501(c)(3)	**$750**	$750 — reduced cap for small tax-exempt organizations
Large plan filer	**$2,000**	$4,000 when two or more years are submitted together

It's a user fee, not a penalty

The DOL deliberately frames it that way — and the amount is a fraction of the daily exposure.

Timing is the catch

Relief is available only if the plan files under DFVCP before the DOL issues a notice of failure to file.

It does not fix the audit

A delinquent large plan filing still needs the IQPA report and financial statements attached.

Other Items Your Auditor Might Need

Governance documents, operational records, internal controls, and 5500 support

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Plan governance & documentation

Auditors typically start with the documents that govern the plan.

- Executed plan document and adoption agreement
- Summary Plan Description (SPD)
- Summaries of Material Modifications, if applicable
- IRS opinion or determination letter

- Investment and fund agreements — annuity contracts, collective trusts, stable value agreements
- Service provider agreements — recordkeeping and compliance, custodian, advisor, trustee, insurer, payroll
- SOC reports for key service providers

Your auditor will be looking for signed, executed copies of the agreements. Providing an unsigned amendment/agreement or a failure to provide a SOC report may lead to delays in the audit process.

Operational & compliance documentation

Used to verify the plan is operating in accordance with its terms and applicable regulations.

1. **Nondiscrimination testing**
   Current and prior year results

2. **Testing failures & corrections**
   Documentation of any failure and the corrective action taken

3. **Census data**
   Current and prior year, matching what was used for testing and the 5500

4. **Prior Form 5500 filings**
   Current and prior year, including all schedules and attachments

5. **Distribution reports & Forms 1099-R**
   Auditors will select a sample of participant distributions for review.

6. **Fidelity bond**
   Evidence of ERISA bonding coverage

7. **Party-in-interest listings**
   Related-party detail and descriptions of applicable transactions

Your auditor will be looking for consistency across all these reports— the census, testing, and the 5500.

Financial & internal control information

Auditors also assess the plan's control environment — how things get done, not just what the documents say.

- ✓ Procedures for processing contributions and participant transactions
- ✓ Controls over payroll deductions and timely remittance of employee deferrals
- ✓ Processes used to maintain participant records
- ✓ Procedures for managing investment information and reporting
- ✓ Documentation supporting participant disclosures and communications

Why controls get so much attention

- Deferral remittance timing is the number one source of audit findings.
- Weak controls expand the auditor's testing, which expands the timeline.
- Documented procedures let the auditor rely on process instead of testing every transaction.

A short, written description of each process — even one page — is often enough, and pays for itself in reduced testing.

What the auditor verifies on the filing

Schedules & attachments
All required schedules and attachments are complete.

Participant counts
Counts are accurate and consistent with the census and prior filing.

Contributions & distributions
Amounts reconcile to plan records.

Investment information
Agrees to trust statements.

Service provider disclosures
Properly reported, including Schedule C where applicable.

Overall consistency
The filing agrees with supporting documentation and the financial statements.

Complete, organized, current documentation lets the auditor confirm compliance, support the filing, and close without additional rounds of requests.

Findings, Reporting & Resolution

Late deposits, outstanding corrections, and what actually blocks an opinion

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Late deposits identified during the audit

What we do

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- Report the late deposits on Schedule H based on the auditor’s findings
- Attach the required supplemental schedule (from the auditor) to the Form 5500 filing

What we don't do

X

- Challenge or re-adjudicate deposit timing for audit purposes
- Independently determine which deposits were late
- Substitute our judgment for the auditor's determination on the filing.

The correction is a separate track

- Depositing the funds, calculating lost earnings, and filing under VFCP where applicable is remediation — not reporting.
- Remediation can and often does continue after the financial statements are issued and the Form 5500 is filed.
- Start remediation as soon as the auditor's determination is known; don't wait for the filing to be complete.

Can the audit finish before corrections are made?

What we sometimes hear

?

"We can't issue the financial statements until the late deposits are corrected, and the other open items are resolved."

- This is not technically correct.
- The pressure to say it increases as October 15 approaches.

The answer: Yes, it can.

Auditors can issue financial statements even when:

- Late deposits have not yet been corrected
- Other operational failures are still outstanding
- A VFCP filing has not yet been submitted
- Remediation is planned but not complete

Practical takeaway: corrections can occur after the financial statements are issued. Don't let an open remediation item hold up the audit — and the Form 5500 — past October 15. Connect with your auditor immediately if these concerns arise.

Reach out to your service contact for support if any questions come up throughout the process.

Eight habits of a smooth audit

1

Know your deadlines

July 31 initial, October 15 extended for calendar-year plans.

2

Confirm your filing type

5500, 5500-SF, or 5500-EZ — and whether an audit applies this year.

3

Engage the auditor early

Late-summer starts are the leading cause of deadline pressure.

4

Keep records year-round

Payroll, trust statements, documents, census, testing, agreements.

5

Coordinate the two timelines

Treat the audit and the 5500 as one process, not two projects.

6

Head off common issues

Late deposits, missed eligibility, match errors, count errors.

7

Prepare for e-filing

Schedules complete, attachments ready, EFAST2 credentials active.

8

Use your service team

Let us support you and the auditor in completing this important step in the annual process.

Regular reconciliation of payroll, trust, and recordkeeping reports throughout the year helps catch issues and have them addressed quickly.

What if the audit won't be finished in time?

You cannot file a complete Form 5500 without the audit attachment.

If an audit is required, the filing is considered incomplete without the audit report and financial statements. Draft financials are not acceptable for filing with the Form 5500.

What an incomplete filing costs you

?

- Amended filings and additional submissions
- DOL and IRS correspondence, and potential penalty exposure
- Penalties measured from the original due date, not the extended deadline
- Findings that follow the plan into the next audit cycle

What to do instead

- Raise risks with your auditor now — not in October
- Confirm whether any open item genuinely blocks issuance
- Request support from your service contact
- Ask the auditor to sequence the work so financials can be issued with disclosures
- If the filing will be late, plan the DFVCP submission deliberately

Escalate early. Every option available in August is still available in October — just more expensive and more stressful.

Five things to take away

1. Review the plan’s audit status each year and engage an auditor early, if applicable.
2. Involve the appropriate parties. Let our team support you and the auditor to make this process as easy as possible.
3. Late deposits are the auditor's determination and must be reported on the Form 5500.
4. Know the deadlines. Financials should be issued by October 8th for timely filing by October 15th. Financial statements do not have to wait for corrections. Open remediation items get disclosed — they don't block issuance, and they shouldn't block your October 15 filing.
5. An incomplete filing is an expensive outcome. If the audit will be late, escalate now and plan the DFVCP submission deliberately.

Questions?

Use the questions panel — we'll work through as many as time allows.

This week	Before October	By October 8th	By October 15th	Any time
Confirm your auditor's timeline for completion and any outstanding information they may need.	Ask your auditor whether any open item restrict them from being able to issue financial statements.	Provide Financials to your service contact.	Electronically sign and file the Form 5500.	Reach out to your service contact — we are happy to assist, and it is always better to address issues now than in October.

Thank you for joining us.

Slides and a recording will follow this session.