



Section 403(b) Retirement Plan Financial Statement Audits




Questions to Expect From Your Plan Auditor

This document was prepared by the AICPA Employee Benefit Plan Audit Quality Center to provide examples of the types of questions that plan management may be asked by the plan's independent auditor. The plan auditor may also ask plan management other questions that are not on this list.

General

- Have any plan amendments been adopted or become effective for the year under audit, or after the plan's year end?
- Have there been any changes in plan status (e.g., mergers, spin-offs, partial terminations)?
- Is there any intention to terminate or change the plan?
- Has there been a significant adverse change in the sponsor's financial condition?
- Has the plan sponsor had any communication from its auditors regarding material weaknesses or significant deficiencies in the sponsor's internal controls?
- Have there been any significant changes in the workforce during the year under audit?
- Have there been any changes in investment policies or practices?
- Have there been any inquiries from the IRS or the DOL during the current or prior plan years?
- Have there been any regulatory reviews, enforcement matters, investigations, or litigation?
- Have any non-exempt transactions (e.g., non-timely remittance of employee contributions) or events or activities that could cause loss of tax-exempt status (e.g., violations of any law or regulation or plan provisions) been identified either during the year under audit or in the past?
- Is there any pending or threatened litigation against the plan?
- Have there been any participant complaints?
- Are there any significant transactions with parties-in-interest?

Plan Reporting and Governance

- Who will prepare a trial balance of all financial activity of the plan for the year, including activity that may run through the trust and plan activity that may occur outside the trust?
 - Who prepares the Form 5500s and plan financial statements? What are their qualifications and experience?
 - Which department is involved with this (drafting) function?
 - Who reviews the financial statements and disclosures?
 - What is the communication protocol for those charged with plan governance (fraud risk concerns, auditor independence discussions, internal control communications, etc.)?
 - Does the plan sponsor have an internal audit function that has performed any procedures related to the plan?
 - Who is responsible for reconciling third-party records and reports?
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- Who prepares and who approves journal entries?
- How is fair value determined for investments that are not readily marketable?



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?
- Who reviews service-provider activity to determine whether services are compliant with agreements, contracts and/or other such agreements?
- Have there been any changes in service providers (e.g., trustee/asset custodian, investment managers, recordkeeper, legal counsel, etc.) during the year under audit?
- Who performs due diligence when a change in service providers is contemplated?
- Do any of the service providers provide SAS 70 reports? Are they Type I or Type II reports?
- Who internally reviews the SAS 70 report and who monitors user controls as detailed in the SAS 70 reports?
- What functions are managed by third-party administrators (benefit approval, benefit payment, tax compliance)?
- Have there been any new outsourcing initiatives?
- 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)?
- Is there a centralized or decentralized environment as it relates to payroll, eligibility and census-data submission?
- Do participants utilize a voice-response system or web-based system for any transactions (e.g., enrollment, changing investment elections or deferral percentages, distribution/withdrawal requests)?
- Have there been problems in the past with respect to receipt of participant confirmations or data requests from service providers?



Fraud

- Does plan management focus on creating a culture of honesty, openness and assistance with employees who participate in the plan?
- Does plan management communicate with employees on business practices and ethical behavior?
- Does the plan have a written fraud prevention policy (e.g., code of conduct)?
- Does plan management encourage employees to report possible fraud?
- Has plan management identified any fraud risk factors related to the plan?
- How is plan management addressing the risk of fraud?
- Does plan management routinely investigate plan accounting, analytical, or operational anomalies?
- Does plan management attempt to eliminate opportunities for fraud?
- Does plan management assist in monitoring any programs or controls that have been implemented to prevent or detect fraud?
- Does plan management utilize the plan sponsor's internal audit function to address fraud risks?
- Has plan management communicated to the (plan) audit committee (or equivalent) the specific fraud risks facing the sponsor and the plan, and how they are being addressed by management?
- Are there any concerns/awareness regarding fraud or other irregularities (including any third-party providers servicing the plans)?



- Is plan management aware of any instances of actual, suspected, or alleged fraud perpetrated against the plan by any of the plan sponsor's employees (or ex-employees, regulators, analysts)?
- Are there particular subsidiary locations, types of transactions, account balances, or plan financial statement categories where fraud risk exists or may be more likely to exist? If yes, describe the plan financial statement's affected areas and assertions.



Other

- Are there any nondisclosure or business associate agreement considerations for the auditor?
- What is your expected deadline for all of the audits?
- Do they differ depending on plan or type of plan?
- Are there any obstacles that we should know about that could impact this deadline?
- 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?



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