



# ACI Advisors Corner

## Howdy Pard'ner (or Helping Your Client Plan Their Year)

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Do you know when a qualified retirement plan needs an audit by an Independent Qualified Public Accountant (IPQA)? Do you have a referral relationship with an auditor? Do you want to be a central supporting cast member to the movie star who is your client? Could I mix up any more metaphors?

- 1) A qualified retirement plan generally files a Schedule H as part of their 5500 tax form package when there are more than 100 participants at the beginning of the plan year. A Schedule H generally requires that an "Accountant's Opinion" be attached.

"Beginning of the plan year" does not mean the end of year participant count on last year's 5500. It is last year's participant count **plus** any new entrants who came into the plan on the first day of the plan year, regardless of whether they have an account balance, whether they deferred, whether they were on vacation or not...if they met the eligibility requirements on day one they are counted.

Plan sponsors know this if their plans have had participants in excess of 100 for a few years. Where you can really help is with your plan sponsor clients who are going to need an audit for the first time. This is not something to be surprised with 3 weeks before the tax forms are due (and if this is the case, they need a new TPA as well as an auditor). This is a requirement that their TPA should be telling them about as early as possible so it can be budgeted for, and scheduled.

- 2) There is a small "**80/120**" **grace period** that says a plan having between 80 and 120 participants at the beginning of the plan year can file the same form that was filed in the prior year. For example, if your client can keep their participant count under 119 participants, they may never need an audit. But what if they grow over that? Several reasons that will push this count over 120 may be:

**Acquisitions** – acquiring a large group of employees and bringing them into the plan immediately will have an effect on the participant count, particularly if that immediate or special entry date is the first day of the plan year,

**Terminated participants with account balances** – there are other reasons to get these people paid out but also, anyone with an account balance on the first day of the plan year is considered a participant, even if they left five years ago. Work with your clients to get these terminees paid out as soon as can be done under the terms of the plan document.

- 3) Why bring this up now? Because your **calendar-year clients** are preparing their 2009 census reports for allocations and testing, and once that has been done the TPA will be in a position to warn them if an audit is going to be required for 2009. The tax forms are due July 31, 2010 if unextended, and October 15, 2010 if extended. Asking about this early will increase your value to your clients immensely. Their next question is going to be "Do you know any auditors?"

- 4) If you do not currently have relationships with any auditors, take it upon yourself to meet some, and find out about their audit processes, estimated fees and reputations. **Ask us for referrals.** An audit can be quite challenging or it can be just another day for your client, and you have the ability to have an effect on this experience.

If you have any questions about this please ask an ACI Consultant or Plan Administrator.

And remember, you heard it here first!