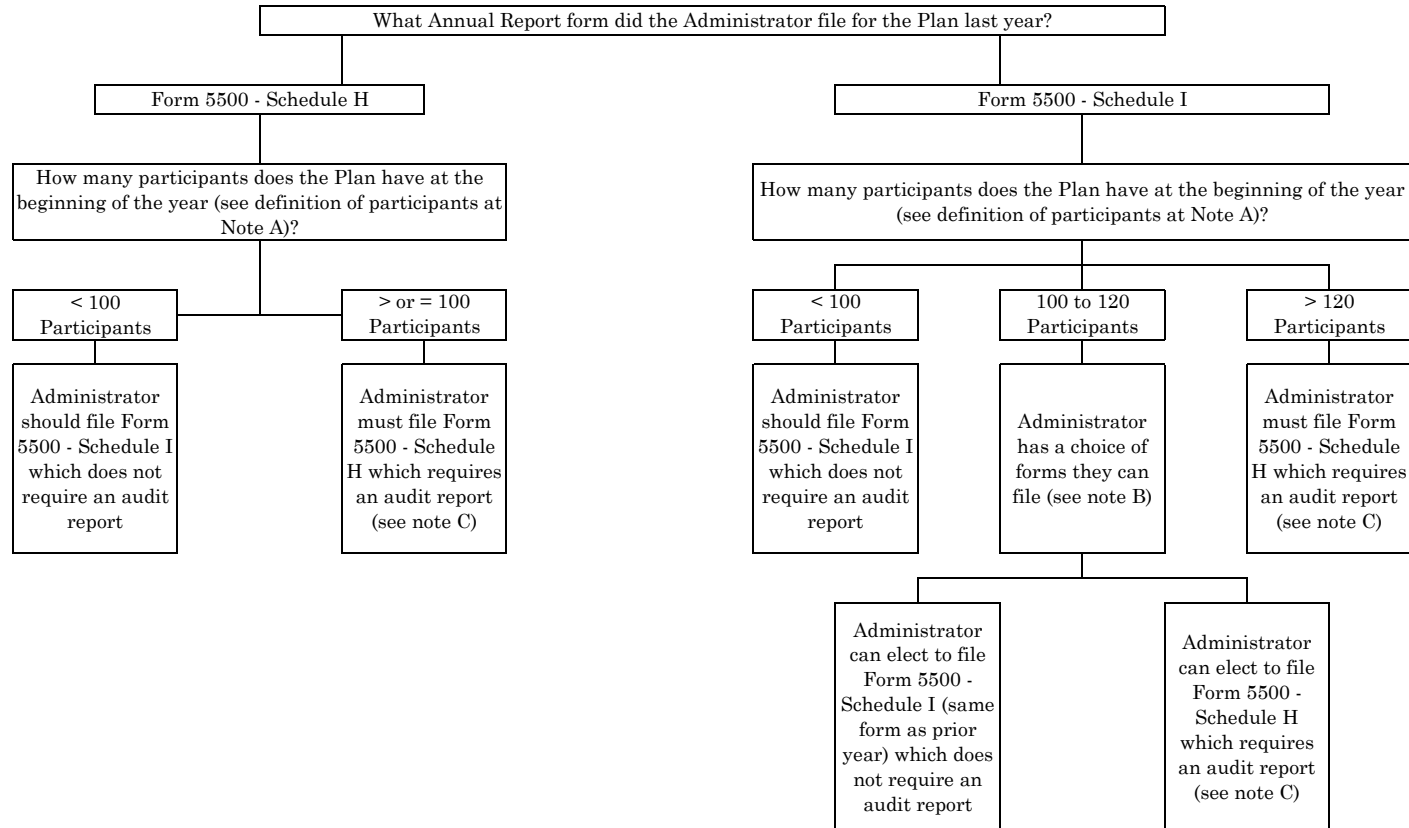


Retirement Plan Audit Decision Tree

Conditions generally requiring an audit of a retirement plan financial statement and the required supplementary schedules



Retirement Plan Audit Decision Tree

Note A – Participants are defined by the DOL as follows:

Active participants

- Any individuals who are currently in employment covered by a plan and who are earning or retaining credited service under a plan;
- Any individuals who are currently below the integration level in a plan that is integrated with social security, and/or eligible to have the employer make payments to a 401 (k) or Section 125 arrangements (participants only have to be eligible for the plan, not necessarily participating in a 401 (k) or Section 125 arrangement);
- Any nonvested individuals who are earning or retaining credited service under a plan.

The term *active participants* does not refer to nonvested former employees who have incurred the break in service period specified in the plan.

Inactive participants

- Any individuals who are retired or separated from employment covered by a plan and who are receiving or entitled to receive benefits.

The term *inactive participants* does not refer to any individual to whom an insurance company has made an irrevocable commitment to pay all the benefits to which the individual is entitled under the plan.

Deceased participants include:

- Any deceased individuals who have beneficiaries who are receiving or are entitled to receive benefits under the plan.

The term *deceased participants* does not refer to any individual to whom an insurance company has made an irrevocable commitment to pay all the benefits to which the beneficiaries of the individual are entitled under the plan.

Note B – 80-120 Rule

If a plan has between 80 and 120 participants (inclusive) as of the beginning of a plan year, it may elect to file the same category of form it filed the year before (for example, Form 5500, Schedule I, "Financial Information - Small Plans") and avoid the audit requirement. This means that plans with between 80 and 120 participants at the beginning of the plan year that filed a Form 5500, Schedule I, "Financial Information - Small Plans, " in the prior year may elect in the current year to complete the Form 5500 following the requirements for a small plan. There is no limit to the number of years this election can be made.

Note C – Audit Requirement

If a Form 5500 Form is filed, an audit of the financial statements generally is required except that (1) plans that have a short plan year of seven months or less may elect to defer (but not eliminate) the audit requirement, and (2) plans whose sole assets are insurance contracts that fully guarantee benefit payments are not required to be audited.