

Form 5500 Opinion Audit

Annual Opinion Audit Required for Large Retirement Plans



Large retirement plans are required to have an annual Opinion Audit performed by a Certified Public Accountant. Plans meeting the requirement must attach a copy of the Auditor's Opinion to Form 5500 when filed for the plan.

When does a plan need an audit?

Plans that are considered "Large Plan Filers" are always required to obtain an Opinion Audit. A large plan filer is a plan with more than 100 **eligible** participants the first day of the plan year or if the plan was a small plan filer the prior year, more than 120 eligible participants the first day of the plan year.

Who is an eligible participant?

The term eligible participant is defined as any employee who is eligible to participate in the plan or any previously terminated employee with a remaining balance. Whether or not an employee actually contributes to the plan does not impact the employee's status as an eligible participant.

Are small plan filers required to obtain an audit?

A small plan filer is exempt from the audit requirements if (1) at least 95% of plan assets are invested in qualifying assets or the non-qualifying assets are covered by a bond, and (2) the summary annual report contains additional information related to the financial institutions that hold the assets of the plan. Practically speaking, almost all small plan filers are exempt from an audit.

What is the due date for the audit?

The audit must generally be completed in time to attach the Auditor's Opinion to IRS Form 5500 for the plan. The due date for filing Form 5500 is 7 ½ months after the plan year-end (July 31 for calendar year plans) with a possible 2 ½ month extension (October 15 for calendar year plans). We recommend the audit be started promptly after the plan year end with a targeted completion date within a month of the Form 5500 due date.

What is received from the audit?

The auditor will issue an audit report containing the auditor's opinion about the reasonableness of the plan's financial statements and transactions. This audit report will be attached to the Form 5500 for electronic filing. The report may also contain suggested action items for improving the plan.

How long will the audit last?

Audits can generally take from a few weeks to six months to complete depending on the complexity of the plan and the organization of the plan's financial information. Audits performed after the first year will generally take less time.

Limited Scope Audits – An auditor may be able to rely on information provided by the plan's custodian and recordkeeper to perform a limited scope audit. Information that can help the auditor perform a limited scope audit includes trust statements that are certified by the custodian and SSAE 16 Audit of the recordkeeper's controls. Limited scope audits can significantly lower audit fees.

Strategies to Reduce the Audit Time There are a number of strategies employers can use to reduce the time an audit takes.

- **Respond Timely to All Requests** – JULY assists our clients in completing the audit, but we often need information from clients. Responding promptly to these requests will help lower the time and cost of the audit.
- **Get an Early Start** – We recommend that clients engage their auditors early if at all possible. For calendar year plans, starting in January or February after the plan year end is an ideal time. This helps to avoid bottlenecks for auditors that may be performing this work for similar clients.

Please contact JULY at [888.333.5859](tel:888.333.5859) for more information.