



## FINES ON THE RISE

### Is Your Organization's Employee Benefit Plan at Risk?

The U.S. Government continues to crack down on organizations that offer Employee Benefit Plans in an effort to ensure compliance with the myriad of rules set forth by the Internal Revenue Service (IRS) and Department of Labor (DOL). In fact, the DOL has hired more than 1,000 audit staff over the past few years in order to conduct more stringent investigations.

Fines imposed by the DOL for violations of the Employee Retirement Income Security Act (ERISA) have increased 72% from 2016 to 2017, resulting in \$1.1 billion collected last year alone. Meanwhile, the IRS is also on high watch for employers that may have violated the Affordable Care Act's employer-shared responsibility provisions, dating as far back as 2015.



If your organization offers its employees a pension plan, 401(k) plan or 403(b) plan, Employee Stock Ownership Plan (ESOP), or any other type of benefit plan, you may be required by law to have the plan audited on an annual basis.

#### Does Your Organization Require an Audit?

The DOL requires an annual audit of all employee benefit plans if the company has 100 or more employees who are eligible to participate in the plan. Eligible is the key word. Many companies mistakenly believe that the 100 employee minimum threshold applies only to "participating" employees, not "eligible" employees.

If your organization meets or exceeds the 100 eligible employee mark, and is subject to ERISA, you must file a Form 5500 with the IRS every year. An audited financial statement must accompany this form, which is due seven months after your company's year-end. (An extension of up to 2.5 additional months may be granted.)

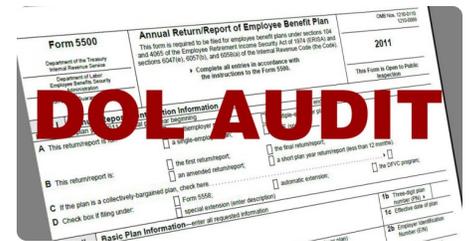
Therefore, if your organization's year-end is December 31, Form 5500 and the audited financial statement were due by July 31. With an extension, you may have until October 15 to file. For fiscal year-end dates other than December 31, different deadlines apply.

## Continued: Is Your Organization's Employee Benefit Plan at Risk?

### What's at Stake?

Failure to comply with DOL and IRS rules in a timely manner can be quite costly. For example, organizations that fail to file Form 5500 by the deadline could be fined \$2,140 per day. The DOL has also issued fines of up to \$1,100 per day for late submissions of audited financial statements.

Despite the risks, data suggests that more companies will pay fines in 2018 than in 2017. A study conducted by Employee Benefit Advisors in the summer of 2017 found that employers with open enrollment dates in the first quarter of 2018 were seriously underprepared.



- More than one out of four small companies (50-150 employees) hadn't met with their benefits manager to begin open enrollment;
- 15% of midsize companies (151-999 employees) had not yet shopped for health plans; and
- 21% of large (1,000+) employers had no plan for boosting enrollment.

A common misconception is that only large retirement plans tend to get audited. The truth of the matter is that plans of any size, administered by either private companies, public companies, municipalities or non-profit organizations, are at risk of audit.

### Benefits of a Third-Party Audit:

A third-party audit conducted by a highly qualified and experienced CPA firm is the best way to detect and correct errors before they turn into hefty fines and litigation. With proper analysis, an audit can also help employers more effectively and efficiently manage their Plans.

As many employers have learned the hard way through IRS audits or through litigation, not closely monitoring the administration of their Plans or conducting annual third party audits can leave organizations at great risk.

Constant scrutiny by the DOL and IRS, along with frequent accounting changes, render the era of un-audited benefit plans nearly obsolete. Restivo Monacelli offers Employee Benefit Plan auditing services to ensure compliance with DOL and IRS regulations. Our team of CPAs have the skills, knowledge, and experience to provide a comprehensive, quality audit of your employee benefit plan and offer you valuable insight about your plan's operational and compliance issues.

Contact us today at 401-273-7600 to learn more about how we can help your organization be in compliance and avoid costly fines and litigation.