

Eligibility & Contribution Testing

ERISA Audit Preparation Guide

Why These Areas Matter

Eligibility and contribution testing are two of the more involved areas of an ERISA audit. Issues in either area can lead to expanded testing, additional document requests, or corrective action.

Most findings in these areas are not caused by technical errors in the plan document, but by gaps in how transactions are handled between HR, payroll, recordkeepers, and finance.

This guide is designed as a practical reference during audit preparation and throughout the audit process.

Eligibility Testing

What Auditors Are Confirming

Auditors review eligibility to confirm that plan provisions are being applied consistently and accurately.

Testing typically focuses on whether:

- Employees meet age and service requirements before entering the plan
- Entry dates are calculated correctly
- Exclusions are applied consistently
- Employee status changes are reflected timely

Because eligibility data often originates in HR systems, discrepancies usually arise when employee classifications, hours, or hire dates are incomplete or not aligned with plan terms.

Information auditors commonly request:

- Employee census data, including hire and termination dates and employment status
- Plan document and Summary Plan Description
- Eligibility or service tracking reports

Common source of issues:

Delayed entry or missed eligibility due to misinterpretation of plan provisions or incomplete data transfers between systems.

Contribution Testing

What Auditors Are Evaluating

Contribution testing is performed to verify both accuracy and timing.

Auditors review:

- Proper definition of compensation between what employees are paid are consistent with the plan provisions
- Employee deferral elections and applied percentages
- Employer matching and non-elective contribution calculations
- Compliance with plan limits and IRS thresholds
- Timing of employee deferral deposits

This testing often involves payroll records and confirmation that deposits were made as soon as administratively possible.

Information auditors commonly request:

- Payroll registers and deduction reports
- Deferral election forms or system election reports
- Employer contribution and allocation schedules
- Deposit confirmations showing dates and amounts

IMPORTANT NOTE:

Late remittance of employee deferrals may require correction, regardless of whether contribution amounts are accurate.

Preparing Ahead of Audit Testing

Advance preparation can significantly reduce follow-up requests during audit testing.

Before testing begins, plan teams should:

- Confirm eligibility rules in the plan document match current HR practices
- Reconcile payroll data to your plan's year end census
- Review contribution calculations for consistency with plan terms
- Assemble commonly requested reports and confirmations

Clear ownership across HR, payroll, and finance helps keep the process moving once testing begins.

How Duffy Kruspodin Supports ERISA Audits

Duffy Kruspodin, LLP provides employee benefit plan audits with a focus on accuracy, efficiency, and clear communication. We work closely with plan sponsors, HR, payroll, plan administrators, and fiduciaries to identify issues early and keep the audit process moving.

Our team has extensive experience with ERISA requirements and employee benefit plan audit expectations and helps plan teams understand what is being tested, how it connects to ERISA requirements, and why it matters.

Questions about eligibility or contribution testing?

If you would like to discuss audit preparation or documentation expectations, contact us to learn more.

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