



Internal Controls in Employee Benefit Plan Audits

What Auditors Review and Why It Matters

Why Internal Controls Matter

Internal controls in an employee benefit plan are the everyday processes used to administer the plan accurately and consistently. During an ERISA audit, auditors review these processes to understand how eligibility is tracked, how contributions are handled, and how plan transactions are overseen.

The goal is not to issue a formal internal control opinion. Instead, auditors use this information to identify risk areas, determine the nature and extent of audit testing, and evaluate whether plan activity aligns with plan terms.

Clear processes and documentation help reduce follow-up questions and support a more efficient audit review.

Process Areas Auditors Commonly Review

Participant Eligibility

Auditors review how eligibility determinations are made and documented, including:

- How hire dates, service, and entry dates are tracked
- How exclusions are identified and applied
- How eligibility information flows from HR systems to plan records

Payroll Data and Inputs

Auditors seek to understand how payroll data is used in plan administration, including:

- How wages, hours, and deferrals are sourced
- How changes to employee status or compensation are reflected
- Whether payroll data aligns with participant and contribution records

Contribution Processing and Timing

Contribution review focuses on how deferrals and employer contributions are handled in practice, including:

- How remittance timing is determined and monitored
- How employer contributions are calculated
- How exceptions or delays are identified and addressed

Loans and Distributions

Auditors review oversight of plan transactions, including:

- How loan repayments are tracked and reconciled
- How distributions are approved and documented
- Whether procedures are followed consistently



Common Areas That Prompt Follow-Up

Auditors often ask additional questions when they see:

- Eligibility tracked manually without a secondary review
- Payroll and plan records that are not periodically reconciled
- Late contribution explanations that lack supporting documentation
- Unclear ownership between HR and payroll processes
- Informal handling of loans or distributions without written procedures

These situations do not necessarily indicate errors, but they often require clarification.

Practical Steps for Plan Teams

Plan teams can support audit readiness by focusing on a few practical actions:

- Document how key plan activities are performed
- Perform periodic reviews of eligibility and contribution processing
- Review service provider reports for consistency and completeness
- Assign clear roles for execution and oversight
- Retain internal checklists or workflow summaries for reference
- Review the SOC 1, Type II reports for your payroll and custodian service providers and ensure that your internal processes and controls incorporate the Complementary User Controls listed on those reports

Simple documentation often goes a long way in supporting audit understanding.

Support You Can Rely On

Duffy Kruspodin, LLP works with plan teams to review and document the processes that affect employee benefit plan audits. Our approach focuses on practical understanding, clear documentation, and alignment across HR, payroll, finance, and service providers.

We help plan teams understand what auditors review and why, so audit testing stays focused and efficient.

Questions about documenting plan processes?

Connect with our EBP audit team to discuss audit preparation and process documentation.

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