



The Employee Plans Team Audit (EPTA), or Large Case Program

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Find, Fix and avoid common mistakes in plans

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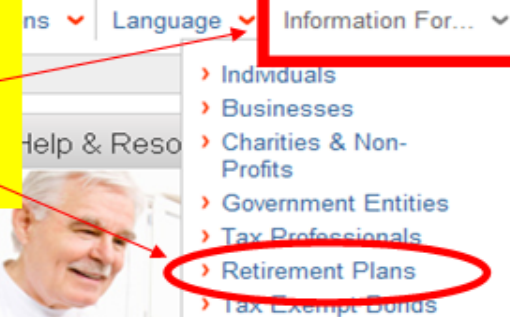
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Employee Plan Team Audit (EPTA)

- **EPTA Plans -**
 - have > **2500 participants**
 - include large 403(b) and Multi-employer (MAP) plans
 - Cover approx. **60%** of plan participants
 - Hold approx. **70%** of plan assets
- Enhanced internet resources
- New TEGE Fast Track available
- EPTA Pilot



Employee Plans Team Audit Program (EPTA)

- EPTA Group in all 5 Geographical Areas
- Area and Group Managers
 - Pacific Coast – Craig Moore
 - Great Lakes – Jeff Anderson
 - Gulf States – Fred Sanchez
 - Northeast – Vincent Rotolo
 - Mid-Atlantic – George Brim



History of EPTA

- EP Exam has audited large plans for many years
- Some of the old “Key District Offices” (KDOs) had senior agents who did these audits
- The Dallas KDO:
 - assembled a specialized group to audit large plans, and
 - established procedures for a uniform approach
- The concept was formalized when TEGE stood up as part of the IRS Modernization in 1999/2000



EPTA History

- EP saw a need to develop an audit program for plans maintained by large entities
- The program would include specialized training for senior agents to address the needs of this market segment
- Employee Plans Team Audit (EPTA) became a uniform, nationwide program



EPTA History

- Need to develop a specialized audit program for plans maintained by large entities due to their size and complexity.
- These entities can be:
 - Corporations
 - Governmental Entities and Non-Profits
 - Multi-Employers



EPTA Training

- EPTA agents receive specialized training to better address the circumstances in large audits:
 - Review of large amounts of electronic records (MS Excel, MS Access)
 - Data sampling techniques
 - International issues



EPTA Team

- EPTA audits may include one or more EP revenue agents
- Teams will also be supported by:
 - EP Actuaries
 - TEGE Counsel
 - Large Business & International (LB&I) Specialists:
 - Financial Product Specialist
 - IRS Engineer
 - Computer Audit Specialist



Criteria For an EPTA Case

- Plans maintained by plan sponsors that in the aggregate have 2,500+ participants and/or beneficiaries
- Selected by EPTA Case Selection Committee (CSC)
 - EPTA Managers
 - Area Managers
 - EPTA Analysts



Case Selection Criteria

- The EPTA CSC will use various criteria to select a pool of returns to audit
- Criteria includes, but not limited to:
 - Emerging Issues
 - Market Segment Impact
 - SEC / Governmental Filings
 - Resource Location



Case Selection Criteria

- Various Criteria (continued)
 - Referral Information
 - Field Input
 - Tax Shelter Information
 - Media Attention
 - Impact on Plan Participants
 - Input from EPCU
 - Withdrawn VCP Request



Types of EPTA Audits

- Corporate, both privately held and publically traded
- 403(b), 457, 401(a) plans of
Tax Exempt/Governmental Entities
- Multi-Employer Plan Sponsors



Corporate EPTA Audits

- These can be stand-alone examinations or as part of an LB&I audit team
 - Focused Audit
 - Deduction Only Audit
 - Specific Issue Referral



Tax Exempt / Governmental Entities

- Audit plans sponsored by tax exempt and Governmental entities including:
 - 403(b), 457(b), and 457(f) plans
 - 401(a) plans
- Audits may be coordinated with Exempt Organizations (EO) exams of these entities and,
- Audits may include Federal, State & Local Governments (FLSG) for employment tax issues of governmental entities



Multi-Employer Plans

- Have their own unique issues
- EPTA agent cadre examine the largest of these plans
 - receive specialized training to address these unique issues



EPTA Processes / Procedures

- Pre-Audit Analysis
- Opening Conference
- Internal Control Interviews
- Working with Electronic Data
- Issuance of Information Document Requests (IDRs)
- Issue Development / Resolution
- Case Closing



Pre-Audit Analysis

- The EP Agents will perform a thorough pre-planning analysis, including:
 - Internet Research
 - Internal Research (IDRS & TEDS)
 - Assessment of Internal Controls
 - Selection of Focused Audit Issues to Examine



Opening Conference

- Opening conference held on all EPTA case openings
- Purpose
 - Discuss the returns being examined
 - Establish protocols for the audit



Opening Conference

- Typical items addressed include:
 - Points of contact
 - Plan years and returns under examination
 - Relevant statutes that will be protected
 - Mandatory focused audit issues plus other pre-audit issues
 - Schedule interviews for Internal Controls
 - IDR & Notice of Proposed Adjustment (NOPA) issuance & responses
 - Office, space, copiers, etc...



Internal Control Interviews

- Covered in more detail in subsequent slides
- Agent will request interviews
 - taxpayer personnel
 - service providers
- Purpose: to vet internal controls to see how process, procedures and internal communications work
- Select focused audit issues



Working with Electronic Data

- Typically a Computer Audit Specialist is assigned to the case
 - We work with large amounts of electronic data
- Use this application to:
 - Link tables and spreadsheets to analyze data
 - Stratify data
 - Sample data



Working with Electronic Data

- Applications used include
 - Excel
 - Access
 - Internally Designed Applications



Issuing IDRs

- Information Document Requests (IDRs) used to request data to conduct an exam
- Protocol for issuing and responding to IDRs is addressed during opening conference
- IDRs issued in logical, sequential and staggered order so as not to overwhelm
- Typically issued by plan and by issue



Issue Development / Resolution

- Issues are addressed as they come up in the interests of transparency
- Issues will be written up and presented to the Taxpayer on **Form 5701** *Notice of Proposed Adjustments*
- Taxpayer will be given the opportunity to present a formal position to the issue(s)



Issue Resolution

- Rev. Proc. 2012-13
 - Sets the guidelines to resolve form and operational issues found on audit
 - Self-Correction (SCP)
 - Audit Closing Agreement (CAP)
 - Plan Disqualification



Issue Resolution (cont.)

- Income Tax Adjustments
 - 1120 Corporate: LB&I
 - 1040 Individual: EP makes Discrepancy Adjustment
- Excise Tax Adjustment
 - 5330 Return: EP makes adjustment / secures returns
- Unrelated Business Income Tax Adjustment
 - 990-T: EP makes adjustment / secures returns



FY 2013 EPTA Enhancements

- Recent EPTA Enhancements
 - EPTA Internal controls/systems analysis audit approach to determine risk was optimized and implemented nationwide.
 - EPTA IRM revised to reflect focus on internal controls
 - Multi-national/ International issues – expanded focus



EPTA Pilot

- In FY 2012 EPTA successfully piloted a systematic approach to more effectively identify compliance risks & determine “Focused Issues”
- The EPTA Pilot methodology included:
 - Comprehensive “pre-audit analysis” and
 - Detailed evaluation of “Internal Controls” related to the various payroll/personnel systems and business environments that effect the administration of all qualified plans sponsored by a taxpayer



Internal Controls

- In the pre-exam process, EPTA Team interviews key taxpayer and service provider personnel to gauge strength of internal controls for:
 - processes
 - procedures
 - internal communications



Internal Controls (cont.)

- Observations / Assessments help:
 - the team to:
 - select focused audit issues to examine
 - conduct the examination in a more timely and efficient manner
 - the taxpayer to:
 - identify weaknesses in their internal controls and take steps to address them



EP Exam Priorities

- International
- 401(k) Plans
- 403(b) Plans



International - Priority

- EP works with LB&I using a corporate approach to:
 - Facilitate effective global tax administration
 - Identify and address global issues impacting retirement plans
 - Expand coordination with US Territories
 - Develop educational tools and guidance
 - Partner with international stakeholders
 - Address potential noncompliance and abuse
 - Develop new global compliance projects



EPTA International – Exam Activity

- Large Case (EPTA) examinations
 - Over 200 examined
- Huge multi-national corporations
 - U.S. companies w/ increasing number of employees overseas & in U.S. Territories
- Global economy has huge impact on retirement plans
 - Non-compliance
 - Information reporting on cross-border transactions



EPTA - International Issues

- International issues addressed in EPTA include:
 - Eligibility, Participation and Coverage
 - Withholding on Foreign Distributions via Forms 1042-S and 1099-Rs
 - Foreign Pension Expenses
 - Foreign Trust Assets



EPTA 401(k) Plans – Recurring Errors

- Non-amender/Late amender
- Failure to follow the terms of the plan
 - Definition of “Compensation”
 - Matching contributions
- Loan issues
- Nondiscrimination testing (ADP/ACP)
- Omitting eligible employees
- IRC 402(g) limits
- Timely deposit of employee elective deferrals



EPTA Defined Benefit Plans – Recurring Errors

- Required Minimum Distribution (RMD) Issues
- Lost Participant Issues
- Compensation Issues
- Cash Balance Plan Issues (Whipsaw)
- Late Amenders / Interim Amendments



EPTA 403(b) Plans – Recurring Errors

- Universal Availability
- Excess Contributions (all market segments)
- Plan loans
- Improper Hardship Distributions
- Unforeseeable Emergency Distributions
- IRC Section 457(f) plan failures in operation



Multi - Employer Issues

- Failure to follow plan provision and CBA
- Deficient plan language
- Non-collectively bargained employees participating in plan
- Error in contribution or earning allocations
- Funding deficiencies
- Required Minimum Distributions
- Not properly calculating retirement benefits



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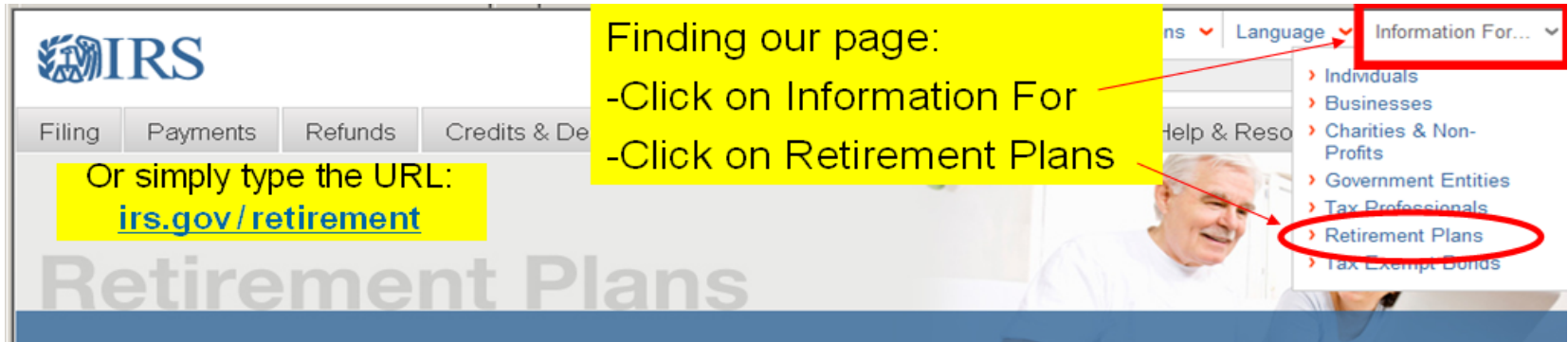
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