

Internal Controls Considerations/Improvements									
Internal Controls - As a result of any operational or form errors involving plan administration, has there been any modification of practices or procedures and/or modification or improvements in the area of Internal Controls?									
EP Examiners will often ask a series of questions early in the examination process, generally during one of the initial interviews, relating to plan failures. Consider the responses to the following questions. The Service will be particularly interested in the answer to item #6 below related to any subsequent improvements or enhancements made in selected Internal Controls and/or practices or procedures to preclude similar errors in the future. Questions asked could include:									
1) What procedures or checks and balances do you have in place to identify operational failures?									
2) Do you know of any operational or form failures with the plan?									
3) What are the failures and how many years did it occur?									
4) Have the failures been corrected and how were they corrected?									
5) What was the reason for the failures?									
6) Was correction considered for all years (how many years were reviewed)?									
7) What practices/procedures were previously in-place and what new procedures have been implemented so future failures don't occur?									
8) Did you use the current EPCRS (Rev. Proc. 200-50) to assist in determining was a Self-correctable error?									
Depending on your responses to the above questions, particularly relating to multiple failures, severity of the failures and the extent and methodology used for correction, that the Service will be particularly interested in your responses when determining whether any sanctions are appropriate, and if yes, the extent of the negotiated sanctions. In addition, the examiner will want to know whether any enhancements were made in selected Internal Controls and/or practices and procedures to preclude these same types of errors in future years.									

System Procedures and Internal Control Questionnaire											
Plan Name:			PYE:								
<p>This questionnaire is designed to give the EP examiner an idea of how employee payroll is handled and communicated to the Plan administrator. What controls are in place to ensure the correct data is communicated?</p>											
<u>Payroll Function</u>											
1. How many payrolls & detail of how each is handled? _____											
2. What is the Structure and how is it run in coordination with the organization? _____											
3. Are any payroll services performed in-house? If so, for what and how is in this payroll communicated to the other functions?											
Who is in charge & responsibilities? _____											
4. Is an outside payroll service used? Name _____ Contact _____											
5. Describe how payroll is prepared. _____											
Please list the category and the periods?											
a) Are there separate pay periods for different category of employees?											
6. How often is each payroll cut? _____ Holdback period? _____											
What is normal payday? _____											
7. Is all pay run through normal payroll? For example, bonuses, executive pay, etc. & if not how is it handled and communicated?											
8. What controls are in place to make sure that all benefit categories are properly classified?											
9) How is pay info transmitted to payroll service? Download over internet? _____											
Floppy disc? _____ CD? _____ Other? _____											
Format: _____											
10. Who prepares/cuts payroll checks? Name _____ Title _____											
11. How is payroll distributed to Employees? _____											
14. Is an impress account used? _____ Bank: _____											

NOTE: Add'l questions may need to be asked in regard to the above.											
30) What are the controls in place to ensure that new personnel adhere to the established procedures as turnover occurs?											
Conclusion as to procedures and internal controls - Payroll:											
Summary of findings:											

System Procedures and Internal Control Questionnaire											
Plan Name:			PYE:			Date:					
<p>The questions below are meant to give the EP examiners an understanding of the communication between the HR personnel and the plan administrator as well as the records system used by the Employer to operate the plan.</p>											
<u>HR and Personnel Responsibilities</u>											
1. Interview conducted with or data supplied by: Name _____ Title _____											
2. Is there a separate HR/Personnel department (Structure - how it is run in coordination with the organization)? _____											
3. Who manages/supervises that department/function? Name _____ Title _____											
a) If there are different departments under #2, who are they and what their functions?											
4. Describe the process that interfaces the hiring & termination events with benefits delivery: _____											
5. Are detailed personnel records kept manually or computerized? _____ If more than one personnel or HR dept (ex. - controlled group), how are the employee records merged for purposes of plan data? _____ What do you do to assure this service is properly accounted for under the plan? (Personnel includes any other individuals who perform services for the company -including leased employees; contract service employees)											
(Do you have "outsource employees" working on site and what do they do?)											
6. What records are maintained when an employee is hired? _____ Copy in Employee file/recording? _____											
7. How are transferred and rehired employees handled? How is this communicated to the plan administrator, recordkeeper or other third parties? What recordkeeping/payroll or HR practices are in place to assure rehired employees are not handled as "new hires" & prior service is credited?											
8. How is a change in work status communicated (example: part-time to full-time or vice versa) within the organization and to the plan administrator, HR, recordkeeper or other third party that participates in operating the plan?											
9. What record is used to verify identity, DOB, SSN, legal work status, & marital status? _____ Copies in Employee file? _____ If not, where kept _____ - How often is this information updated and how are the updates communicated/completed?											
10. What process is in place to communicate/capture the hours worked by the employee to the administrator or other third party administrator? Explain how determined _____											

11. How is this information communicated to the Plan Administrator? _____											
a) If done via electronic transfer - who does the transfer and where are records of transfer maintained?											
12. Is there an Employee Benefit Guide / Manual? How often updated and communicated? Can you provide a copy of the manual?											
13. Do you have any leased employees? Are there any contract employees and how is their pay reported?											
If so, who is responsible for classifying them as leased or contract employee?											
If leased employees are hired as a regular employee how is the prior service communicated and accounted for?											
14. Do you have any interns or co-ops employees?											
If interns or co-ops employees are hired as a regular employee how is the prior service accounted for?											
15. How is qualified military service accounted for under 414(u)?											
16. How are your plan controls, including practices and procedures, communicated to new personnel as turnover occurs in your department?											
Summary of findings:											
Conclusion as to procedures and internal controls - HR Personnel:											