

# Internal IRA Audit Procedures

The Webinar will  
be starting shortly

 **Collin W. Fritz**  
**and Associates, Ltd.**

"The Pension Specialists"

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# *Internal IRA Audit Procedures*

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# *Internal IRA Audit Procedures*

## Overview


➔ How well would your financial institution fare if the IRS audited/surveyed your IRAs ?



# *Internal IRA Audit Procedures*

## Overview

How well would your financial institution fare if the IRS audited/surveyed your IRAs ?

 IRS has increased their IRA audits



# *Internal IRA Audit Procedures*

## Overview

How well would your financial institution fare if the IRS audited/surveyed your IRAs ?

IRS has increased their IRA audits

➔ Has your financial institution covered its Fiduciary Responsibility ?

Duties over and above IRS compliance




# *Internal IRA Audit Procedures*

## Overview

How well would your financial institution fare if the IRS audited/surveyed your IRAs ?

IRS has increased their IRA audits

Has your financial institution covered its Fiduciary Responsibility ?

 Compliance is a two-part procedure

1. Have all procedures and reports been accomplished in a timely and complying fashion ?
2. Do you have documentation sufficient to prove that it has ?

# *Internal IRA Audit Procedures*

## Overview

How well would your financial institution fare if the IRS audited/surveyed your IRAs ?

IRS has increased their IRA audits

Has your financial institution covered its Fiduciary Responsibility ?

Compliance is a two-part procedure

1. Have all procedures and reports been accomplished in a timely and complying fashion ?
2. Do you have documentation sufficient to prove that it has ?



The best way to be prepared is to internally audit your IRA files on a regular basis





# *Internal IRA Audit Procedures*

## → Primary Areas of Concern

- \* Plan Agreements
- \* Disclosure Statements
- \* Financial Disclosures
  - Financial Projections
- \* Complying with and Proving Compliance
- \* IRA Amendment Process
- \* Governmental Reporting Requirements
  - Federal/State Withholding Procedures
- \* Internal Procedures and Related Administrative Forms
- \* Beneficiary Designations
- \* Retention of Records




## *Internal IRA Audit Procedures*

### Primary Areas of Concern



#### Plan Agreements

IRA Custodian/Trustee must furnish



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Plan Agreements

IRA Custodian/Trustee must furnish

IRS Model Documents





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Plan Agreements

IRA Custodian/Trustee must furnish

### IRS Model Documents

Traditional IRA - IRS Form 5305 and 5305-A

Roth IRA - IRS Form 5305-R and 5305-RA





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Plan Agreements

IRA Custodian/Trustee must furnish

### IRS Model Documents

Traditional IRA - IRS Form 5305 and 5305-A

Roth IRA - IRS Form 5305-R and 5305-RA

Must use the most current versions as of the date of IRA establishment

March 2002



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Plan Agreements

IRA Custodian/Trustee must furnish

IRS Model Document Form 5305, 5305A

Prototype or Customised Plan Agreement

Must include the most current IRS language as of the date of IRA establishment





## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Plan Agreements

IRA Custodian/Trustee must furnish

IRS Model Document Form 5305, 5305A

Prototype or Customised Plan Agreement

→ Most IRA form vendors, like CWF, use IRS Model Documents as basis for their IRA Plan Agreements



## *Internal IRA Audit Procedures*


Primary Areas of Concern

Plan Agreements

 Disclosure Statements

IRA Custodian/Trustee must furnish





## *Internal IRA Audit Procedures*

### Primary Areas of Concern

Plan Agreements

Disclosure Statements

IRA Custodian/Trustee must furnish

Valid, Current, Up-to-date version



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

Plan Agreements

Disclosure Statements

IRA Custodian/Trustee must furnish

Valid, Current, Up-to-date version

Must include revocation disclosure

Revocation procedure must agree with revocation disclosure



# Internal IRA Audit Procedures

## Primary Areas of Concern

Plan Agreements

Disclosure Statements

IRA Custodian/Trustee must furnish

Valid, Current, Up-to-date version

Must include revocation disclosure

Revocation procedure must agree with revocation disclosure



**Revocation in accordance with the Disclosure Statement should be mailed or delivered to:**

Custodian's Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_ Zip \_\_\_\_\_

Attn: \_\_\_\_\_ Phone \_\_\_\_\_

### Disclosure Statement

#### 1. Introduction

This IRA Disclosure Statement is an explanation of the rules which govern your regular or traditional IRA because that is the type of IRA which you have established. A SEP-IRA is a traditional IRA to which larger contributions are authorized.

You have not established a Roth IRA, or a SIMPLE-IRA. You would need to sign other special documents if you would like these special types of IRAs.

This summary or explanation of your traditional IRA is intended to be a nontechnical explanation. However, as with any plan or program created by the Internal Revenue Code, these rules are complicated. Note that this is a summary and you may well wish to conduct additional research. You are advised to always seek professional tax advice.

### 2. Revocation Procedure

You are entitled to revoke or cancel your IRA for any reason within seven (7) calendar days of the day you established it. You revoke your IRA by mailing or delivering a written notice to the Custodian's representative as shown on the application page. If you mail your notice, it is deemed mailed on the postmark date if you deposited it, properly addressed, in the United States mail with first class postage. Your timely revocation within the first seven days will mean your original contribution will be returned to you without any adjustment. Be advised that the current procedures of the Internal Revenue Service require us to report your contribution and distribution even if you exercise this right to revoke your IRA.





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

Plan Agreements

Disclosure Statements

IRA Custodian/Trustee must furnish

Valid, Current, Up-to-date version

Must include revocation disclosure

Must be in “plain English”





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

Plan Agreements

Disclosure Statements

IRA Custodian/Trustee must furnish


Valid, Current, Up-to-date version

Must include revocation disclosure

Must be in “plain English”

Must include explanation of all rules, regulations, procedures,  
and tax code items relating to IRAs





## *Internal IRA Audit Procedures*

### Primary Areas of Concern

Plan Agreements

Disclosure Statements

 Financial Disclosure

IRA Custodian/Trustee must furnish



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

Plan Agreements

Disclosure Statements

Financial Disclosure

IRA Custodian/Trustee must furnish

Must explain the initial investment





## *Internal IRA Audit Procedures*

### Primary Areas of Concern

Plan Agreements

Disclosure Statements

Financial Disclosure

IRA Custodian/Trustee must furnish

Must explain the initial investment

→ Must furnish all required non-IRA investment disclosures required including  
SEC, FDIC, NCUA, CIP, TISA, etc.





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

Plan Agreements

Disclosure Statements

Financial Disclosure



Financial Projection

Must be furnished when required

When initial IRA contribution, transfer, rollover, or  
recharacterization is invested in an interest bearing account

# Internal IRA Audit Procedures

## Primary Areas of Concern

Plan Agreements

Disclosure Statements

Financial Disclosure

Financial Projection

Must be furnished when required

When initial IRA contribution, transfer, rollover, or recharacterization is invested in an interest bearing account and pre-printed projection applies

You have requested that the Custodian establish an Individual Retirement Account (IRA) for you. You certify that your tax identification number (social security number) and other information are correct. In the event that this is a rollover contribution, you hereby irrevocably elect to treat this contribution as a rollover contribution subject to your right to revoke this IRA as discussed below. The rules and conditions governing this IRA form are contained in this application and the IRS Model Form 5305-A plan agreement as modified. You acknowledge that the Custodian has furnished you with a copy of the application, and the Individual Retirement Plan and Disclosure Statement. In addition, you have read the disclosure statement and you qualify to make an initial contribution to this IRA. The Financial Disclosure is furnished to you using this method:

1. The financial projection information and tables as shown on the reverse side and on pages 25 and 26 of the Disclosure Statement.
2. Special Attachment. For example, a customized disclosure statement or computer printout.

# Internal IRA Audit Procedures

## Primary Areas of Concern

Plan Agreements

Disclosure Statements

Financial Disclosure

Financial Projection

Must be furnished when required

When initial IRA contribution, transfer, rollover, or recharacterization is invested in an interest bearing account and pre-printed projection does **NOT** apply

You have requested that the Custodian establish an Individual Retirement Account (IRA) for you. You certify that your tax identification number (social security number) and other information are correct. In the event that this is a rollover contribution, you hereby irrevocably elect to treat this contribution as a rollover contribution subject to your right to revoke this IRA as discussed below. The rules and conditions governing this IRA form are contained in this application and the IRS Model Form 5305-A plan agreement as modified. You acknowledge that the Custodian has furnished you with a copy of the application, and the Individual Retirement Plan and Disclosure Statement. In addition, you have read the disclosure statement and you qualify to make an initial contribution to this IRA. The Financial Disclosure is furnished to you using this method:

- 1. The financial projection information and tables as shown on the reverse side and on pages 25 and 26 of the Disclosure Statement.
- 2. Special Attachment. For example, a customized disclosure statement or computer printout.






## *Internal IRA Audit Procedures*


Primary Areas of Concern

Plan Agreements

Disclosure Statements

Financial Disclosure

 Complying with and Proving Compliance



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

Plan Agreements

Disclosure Statements

Financial Disclosure

Complying with and Proving Compliance



Complete documentation in each IRA file

Best procedure



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

Plan Agreements

Disclosure Statements

Financial Disclosure

## Complying with and Proving Compliance

Complete documentation in each IRA file

Well documented Master/Procedure File

Must keep updated with changes to forms and/or procedures

Minimum procedure





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

Plan Agreements

Disclosure Statements

Financial Disclosure

Complying with and Proving Compliance

Well documented Master/Procedure File

Complete documentation in each IRA File

Recommended IRA file maintenance





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Recommended IRA file maintenance



Section 1 - Copies of IRA applications, plan agreements, disclosure statements, financial disclosures, and all amendments. Also include the non-IRA disclosures like FDIC/NCUA, CIP, TISA, etc.






## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Recommended IRA file maintenance



Section 2 - Copies of contribution documentation including IRS Form 5498s, IRA accountholder statements, and all investment documentation



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Recommended IRA file maintenance



Section 3 - Copies of distribution documentation including Federal Income Tax withholding elections, withholding notices, and IRS Form 1099-Rs



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Recommended IRA file maintenance

Section 3 - Copies of distribution documentation including Federal Income Tax withholding elections, withholding notices, and IRS Form 1099-Rs

State Income Tax withholding may also apply






## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Recommended IRA file maintenance



Section 4 - Copies of trustee-to-trustee IRA transfers including transfer requests, transfer contribution forms, and copy of transfer check/draft/wire, etc.



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Recommended IRA file maintenance



Section 5 - Copies of IRA-to-IRA rollover documentation including Rollover Certification, and copy of check/draft/wire



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Recommended IRA file maintenance



Section 6 - Copies of Direct Rollover documentation including request, certification, 402(f) Notice and copy of check/draft/wire, etc.



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Recommended IRA file maintenance



Section 7 - Traditional IRA RMD documentation including calculation, payment history, annual RMD Notices and copies of checks/drafts/wires, etc.



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

Recommended IRA file maintenance

Section 7 - Traditional IRA RMD documentation including calculation, payment history, annual RMD Notices and copies of checks/drafts/wires, etc.

Qualified Charitable Distribution documentation







# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Recommended IRA file maintenance

Section 7 - Traditional IRA RMD documentation including calculation, payment history, annual RMD Notices and copies of checks/drafts/wires, etc.



Including proof of 2009 Procedures



# *Internal IRA Audit Procedures*

## Primary Areas of Concern


### Recommended IRA file maintenance

Section 7 - Traditional IRA RMD documentation including calculation, payment history, annual RMD Notices and copies of checks/drafts/wires, etc.

Including proof of 2009 Procedures

Also applies to traditional, SEP, SIMPLE and Roth IRA beneficiaries






# *Internal IRA Audit Procedures*

## Primary Areas of Concern

Recommended IRA file maintenance



Section 8 - Miscellaneous Information and Correspondence



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Recommended IRA file maintenance

- Section 1 - Copies of IRA application, plan agreements, disclosure
- Section 2 - Copies of contribution documentation including IRS Form
- Section 3 - Copies of distribution documentation including Federal
- Section 4 - Copies of trustee-to-trustee IRA transfers including transfer
- Section 5 - Copies of IRA-to-IRA rollover documentation including
- Section 6 - Copies of Direct Rollover documentation including request
- Section 7 - Traditional IRA RMD documentation including calculation
- Section 8 - Miscellaneous Information and Correspondence




Provides better file organization, enhances internal audit, increases ability to locate errors



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

- IRA Amendment Process
- IRA Custodian/Trustee required to timely amend



# *Internal IRA Audit Procedures*

## Primary Areas of Concern


### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Plan Agreements

When IRS changes Model Document





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

#### Plan Agreements

When IRS changes Model Document

When Forms Vendor changes document





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

#### Plan Agreements

When IRS changes Model Document

When Forms Vendor changes document

When IRA Custodian/Trustee changes document







# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

#### Plan Agreements


When IRS changes Model Document

When Forms Vendor changes document

When IRA Custodian/Trustee changes document

Mergers, acquisitions, name changes, etc.





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Plan Agreements

Disclosure Statements

When IRA rules, regulations, or procedures change





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Plan Agreements

Disclosure Statements

When IRA rules, regulations, or procedures change

When Forms Vendors changes document





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Plan Agreements

Disclosure Statements

When IRA rules, regulations, or procedures change

When Forms Vendors changes document

When IRA Custodian/Trustee changes document



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Plan Agreements

Disclosure Statements

When IRA rules, regulations, or procedures change

When Forms Vendors changes document

When IRA Custodian/Trustee changes document

Mergers, acquisitions, name changes, etc.





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Plan Agreements

Disclosure Statements

Financial Disclosure/Projection

If not initially disclosed/projected





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Plan Agreements

Disclosure Statements

Financial Disclosure/Projection

If not initially disclosed/projected

If incorrectly disclosed/projected





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Plan Agreements

Disclosure Statements

Financial Disclosure/Projection

If not initially disclosed/projected

If incorrectly disclosed/projected

If disclosure/projection is changed within revocation period







# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Plan Agreements

Disclosure Statements

Financial Disclosure/Projection

Non-IRA Disclosures

As required





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Amendment Deadlines

When IRS declares deadline



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

### Amendment Deadlines

When IRS declares deadline

Usually only after changing the Model Document





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

### Amendment Deadlines

When IRS declares deadline

Usually only after changing the Model Document

30 days from enactment of change





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

### Amendment Deadlines

When IRS declares deadline

Usually only after changing the Model Document

30 days from enactment of change

Comply at earliest Mass-Mailing



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

### Amendment Deadlines

When IRS declares deadline

Usually only after changing the Model Document

30 days from enactment of change

Comply at earliest Mass-Mailing

January 31 FMV Statements

May 31 Form 5498

June 30 Mid-Year Statements

ASAP





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Amendment Deadlines

Document Amendment



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Amendment Deadlines

Document Amendment

Copy in each file

Preferably signed by the IRA Accountholder





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Amendment Process

IRA Custodian/Trustee required to timely amend

Amendment Deadlines


Document Amendment

Copy in each file

Preferably signed by the IRA Accountholder

Well documented Master File





## *Internal IRA Audit Procedures*

Primary Areas of Concern

→ IRA Custodian/Trustee Penalties

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### IRA Custodian/Trustee Penalties



Incorrect or Untimely Plan Agreement

Incorrect or Untimely Disclosure Statement

Incorrect or Untimely Financial Disclosure

*(Including Financial Projection Schedule when applicable)*

Incorrect or Untimely Amendment

Minimum \$50 Penalty per error or omission, PER IRA

# Internal IRA Audit Procedures

IRA Amendment Chart

The Year	The Change	Was the Disclosure Statement Amended ?	Was the Plan Agreement Amended ?
1982	Tax Equity & Fiscal Responsibility Act (TEFRA)	Yes	Yes – New Plan Agreement dated 11/83 was issued
1984	Tax Reform Act of 1984 (TRA-84)	Yes	No
1986	Tax Reform Act of 1986 (TRA-86)	Yes	No
1987	New IRA Distributions Regulations	Yes	Yes – New Plan Agreement dated 12/87 was issued
1988	Technical and Miscellaneous Revenue Act of 1988 (TAMRA)	Yes	No
1992	Unemployment Compensation Amendment	Yes	No
1993	IRS Announcement 93-8	Yes	Yes – New Plan Agreement dated 10/92 was issued
1993	FDIC Coverage Insurance	Yes, if it is discussed	No
1993	Revenue Reconciliation Act of 1993	Yes	No
1996	The Small Business Job Protection Act of 1996	Yes	No


# Internal IRA Audit Procedures

IRA Amendment Chart

The Year	The Change	Was the Disclosure Statement Amended ?	Was the Plan Agreement Amended ?
1996	Health Insurance Probability and Accountability Act	Yes	No
1997	Taxpayer Relief Act	Yes	Yes <sup>1</sup>
1998	IRS Restructuring and Reform Act	Yes	Yes <sup>2</sup>
2000	Consolidated Appropriations Act	Yes	No
2001	Economic Growth & Tax Relief Reconciliation Act of 2001	Yes	Yes
2005	Katrina Emergency Tax Relief Act of 2005 (KETRA)	Yes	No
2006	The Tax Increase Prevention & Reconciliation Act of 2005	Yes	No
2006	The Heroes Earned Retirement Opportunities	Yes	No
2006	Pension Protection Act of 2006	Yes	No
2006	Tax Relief and Health Care Act of 2006	Yes	No
2008	Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008	Yes	No
2008	Emergency Economic Stabilization Act of 2008	Yes	No
2008	Worker, Retiree, and Employer Recovery Act of 2008	Yes	No

<sup>1</sup> A new plan agreement dated January 1998 was issued; it was not, however, necessary to amend previously established IRA plan agreements.

<sup>2</sup> A new plan agreement dated January 2000 was issued; it was not, however, necessary to amend previously established IRA plan agreements.



## *Internal IRA Audit Procedures*

Primary Areas of Concern

➔ Governmental Reporting Requirements

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

\* RMD Notice

Different Procedure for 2009

No RMD Notice Required

If one is sent it should report zero amount

If reported with an amount, must clarify in writing by March 31, 2009

Encourages to remind 70½ accountholders with 2008 RMD due in 2009

Regular procedures return in 2010

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice

→ Furnish Annual RMD Notice - Required again in 2010

- Notify RMD in coming year

- Identify RMD Due Date – April 1, 2011 or December 31, 2010

- Identify RMD Amount or Notify you will calculate RMD upon request

- Notify that it is Reported to IRS on Form 5498


- No exceptions

- Report due January 31

- All traditional, SEP, and SIMPLE IRAs

- If asked to calculate, custodian/trustee must calculate RMD





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement



Required for each IRA


December 31 FMV required for all IRA assets

December 31 FMV required for all Inherited IRA assets

Due by following January 31

Include statement that it is reported to the IRS

Do you have proof of compliance ?



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions



Due by following January 31 to IRA Accountholders and Beneficiaries

Due by following February 28/29 to the IRS, March 31 if filed electronically

Do you have proof of compliance ?

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV

FMV must agree with FMV Statement

Due by May 31

Do you have proof of compliance ?





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV
- \* Form 1098 Transmittal for paper Forms 1099-R and 5498





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV
- \* Form 1098 Transmittal for paper Forms 1099-R and 5498

Electronic submissions have electronic transmittals







# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV
- \* Form 1098 Transmittal for Forms 1099-R and 5498
- \* Form 945 Federal Withholding Recap



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV
- \* Form 1098 Transmittal for Forms 1099-R and 5498
- \* Form 945 Federal Withholding Recap



Does it agree with Forms 1099-R ?

Does it agree with actual deposits ?

Must **NOT** include non-resident alien withholding

Do you have proof of compliance ?

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV
- \* Form 1098 Transmittal for Forms 1099-R and 5498
- \* Form 945 Federal Withholding Recap
- \* Form 1042-S Federal Withholding for Non-resident aliens  
Replaces form 1099-R



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV
- \* Form 1098 Transmittal for Forms 1099-R and 5498
- \* Form 945 Federal Withholding Recap
- \* Form 1042-S Federal Withholding for Non-resident aliens

Replaces form 1099-R

Must include all withholding for Non-resident aliens

Includes distributions to IRA accountholders and beneficiaries

Due to the IRA accountholder, beneficiary and the IRS by the following March 15



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV
- \* Form 1098 Transmittal for Forms 1099-R and 5498
- \* Form 945 Federal Withholding Recap
- \* Form 1042-S Federal Withholding for Non-resident Aliens
- \* Form 1042-T Transmittal for Form 1042-S  
Replaces Form 1096



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
- \* FMV Statement
- \* Form 1099-R Distributions
- \* Form 5498 Contributions and FMV
- \* Form 1098 Transmittal for Forms 1099-R and 5498
- \* Form 945 Federal Withholding Recap
- \* Form 1042-S Federal Withholding for Non-resident Aliens
- \* Form 1042-T Transmittal for Form 1042-S
- \* Form 1042 Federal Withholding Recap

Replaces Form 945



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- \* RMD Notice
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- \* Form 945 Federal Withholding Recap
- \* Form 1042-S Federal Withholding for Non-resident Aliens
- \* Form 1042-T Transmittal for Form 1042-S
- \* Form 1042 Federal Withholding Recap

Replaces Form 945

Due to the IRS by the following March 15





## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Governmental Reporting Requirements



Are all forms/statements/reports completed correctly ?

This means checking all that have been completed





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

→ Have all required forms/statements/reports been completed ?

This means making sure none have been missed

Errors of omission are the most difficult to find

Checking transaction documents vs. reports/statements



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

This means making sure none have been missed

Errors of omission are the most difficult to find

Checking transaction documents vs. reports/statements

All contributions reported on Form 5498 vs. actual audit copy

Copy of Contribution, Recharacterization, and Rollover Forms



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

This means making sure none have been missed

Errors of omission are the most difficult to find

Checking transaction documents vs. reports/statements

All contributions reported on Form 5498 vs. actual audit copy

Make sure IRA Transfers received have not been reported



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

This means making sure none have been missed

Errors of omission are the most difficult to find


Checking transaction documents vs. reports/statements

All contributions reported on Form 5498 vs. actual audit copy

Make sure IRA Transfers received have not been reported

All distributions reported on Form 1099-R vs. actual audit copy  
of distribution form





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

This means making sure none have been missed

Errors of omission are the most difficult to find

Checking transaction documents vs. reports/statements

All contributions reported on Form 5498 vs. actual audit copy

Make sure IRA Transfers received have not been reported

All distributions reported on Form 1099-R vs. actual audit copy

This includes verifying Income Tax Withholding





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements



#### Federal Withholding Procedures

##### Election procedure and documentation

10% Federal withholding is required on every traditional IRA distribution unless an election is properly completed

Documentation is required, IRS W-4P or valid substitute

# Internal IRA Audit Procedures

## Primary Areas of Concern

### Governmental Reporting Requirements

#### Federal Withholding Procedures

#### Election procedure and documentation


10% Federal withholding is required on every traditional IRA distribution unless an election is properly completed

Documentation is required, IRS W-4P or valid substitute

Documentation is required

IRS W-4P or valid substitute

CWF # 57

Substitute <b>FORM W-4P</b> Department of the Treasury (IRS)	<b>Withholding Certificate for IRA Pension or Annuity Payments</b>	OMB NO. 1545-0415	
The instructions to this substitute Form W-4P are on the reverse side as well as additional discussion of special withdrawal topics. Select #1, #2, or #2 and #3.			
1. <input type="radio"/> I elect not to have income tax withheld from this IRA distribution.			
2. <input type="radio"/> I elect to have income tax withheld from this IRA distribution equal to 10% of the amount withdrawn. This amount is \$ _____			
3. <input type="radio"/> I want the following additional amount withheld from each IRA payment. \$ _____			
_____ Signature of Payee/Recipient	_____ Date	_____ Custodian/Trustee (Payer)	_____ Date
 IRA #57 (8/08)			© 2008 Collin W. Fritz & Associates, Ltd.



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

#### Federal Withholding Procedures

##### Election procedure and documentation

10% Federal withholding is required on every traditional IRA distribution unless an election is properly completed

Documentation is required, IRS W-4P or valid substitute

Penalty on the IRA custodian/trustee for non-compliance is the amount of withholding that should have been withheld and was not







# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

#### Federal Withholding Procedures

##### Election procedure and documentation

10% Federal withholding is required on every traditional IRA distribution unless an election is properly completed

Documentation is required, IRS W-4P or valid substitute

Penalty on the IRA custodian/trustee for non-compliance is the amount of withholding that should have been withheld and was not

Penalty on the IRA custodian/trustee for non-compliance could be the amount of taxes owed by the IRA accountholder





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

#### Federal Withholding Procedures

#### Election procedure and documentation

#### Notice Requirements

Proper notice must be given prior to every distribution

If mailed, notice must be received within 6 months and  
a reasonable period of time before the distribution

Penalty on the IRA custodian/trustee for non-compliance is \$10 for each failure





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

#### Federal Withholding Procedures

#### Election procedure and documentation

#### Notice Requirements

Proper notice must be given prior to every distribution

If mailed, notice must be received within 6 months and  
a reasonable period of time before the distribution

Penalty on the IRA custodian/trustee for non-compliance is \$10 for each failure

Can you prove compliance ?





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

This means making sure none have been missed

Errors of omission are the most difficult to find

Checking transaction documents vs. reports/statements

All contributions reported on Form 5498 vs. actual audit copy

Make sure IRA Transfers received have not been reported

All distributions reported on Form 1099-R vs. actual audit copy

This includes verifying Income Tax Withholding

Make sure 1099-R is prepared correctly



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Governmental Reporting Requirements

➔ IRS Form 1099-R

Box 4 - Federal income tax withheld

9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code		1	Gross distribution	2008			Form 1099-R
		\$					
		2a	Taxable amount	\$			
PAYER'S federal identification number		2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>		Copy A For Internal Revenue Service Center	
		3 Capital gain (included in box 2a)		4 Federal income tax withheld			
RECIPIENT'S identification number		\$		\$	2000.00	File with Form 1096.	
RECIPIENT'S name		5	Employee contributions /Designated Roth contributions or insurance premiums	6	Net unrealized appreciation in employer's securities	For Privacy Act and Paperwork Reduction Act Notice, see the	
		\$		\$			

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

IRS Form 1099-R

Box 4 - Federal income tax withheld

➔ Example: IRA Owner requests \$10,000 from his traditional IRA with Federal Income Tax Withholding of \$2,000. The IRA Owner is age 50. The IRA custodian issues a check for \$8,000.

# Internal IRA Audit Procedures

## Primary Areas of Concern

## Governmental Reporting Requirements

➔ IRS Form 1099-R

9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		2008		Copy A For Internal Revenue Service Center File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
IRA Owner		\$ 10000.00		Form 1099-R			
PAYER'S federal identification number		2a Taxable amount		Total distribution <input type="checkbox"/>			
RECIPIENT'S identification number		\$ 10000.00		2b Taxable amount not determined <input checked="" type="checkbox"/>			
RECIPIENT'S name		3 Capital gain (included in box 2a)		4 Federal income tax withheld			
Street address (including apt. no.)		\$		\$ 2000.00			
City, state, and ZIP code		5 Employee contributions / Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities			
1st year of desig. Roth contrib.		\$		\$			
Account number (see instructions)		7 Distribution code(s)		8 Other			
Correct 1099-R		1		IRA/SEP/SIMPLE <input checked="" type="checkbox"/>			
Form 1099-R		9a Your percentage of total distribution %		9b Total employee contributions \$			
Cat. No. 14436Q		10 State tax withheld		11 State/Payer's state no.		12 State distribution	
Department of the Treasury - Internal Revenue Service		\$				\$	
		\$				\$	
		13 Local tax withheld		14 Name of locality		15 Local distribution	
		\$				\$	
		\$				\$	

# Internal IRA Audit Procedures

## Primary Areas of Concern

## Governmental Reporting Requirements

➔ **Incorrect** IRS Form 1099-R # 1

9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		2008		Copy A For Internal Revenue Service Center File with Form 1096.	
IRA Owner		\$ 8000.00		Form 1099-R			
PAYER'S federal identification number		2a Taxable amount		Total distribution <input type="checkbox"/>			
RECIPIENT'S identification number		\$ 8000.00		2b Taxable amount not determined <input checked="" type="checkbox"/>		For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
RECIPIENT'S name		3 Capital gain (included in box 2a)		4 Federal income tax withheld			
Street address (including apt. no.)		\$		\$			
City, state, and ZIP code		5 Employee contributions / Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities			
1st year of desig. Roth contrib.		\$		\$			
Account number (see instructions)		7 Distribution code(s)		8 Other			
Incorrect 1099-R		1		IRA/SEP/SIMPLE <input checked="" type="checkbox"/>			
		9a Your percentage of total distribution %		9b Total employee contributions \$			
		\$		\$		12 State distribution \$	
		\$		\$		\$	
		10 State tax withheld		11 State/Payer's state no.		15 Local distribution	
		\$		\$		\$	
		\$		\$		\$	
		13 Local tax withheld		14 Name of locality			
		\$		\$			
		\$		\$			

Form 1099-R Cat. No. 14436Q Department of the Treasury - Internal Revenue Service



# Internal IRA Audit Procedures

## Primary Areas of Concern

## Governmental Reporting Requirements

➔ **Incorrect** IRS Form 1099-R # 2

9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.		
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution	2008		Form 1099-R			Copy A For Internal Revenue Service Center File with Form 1096.
IRA Owner		\$ 2000.00						
PAYER'S federal identification number		2a Taxable amount						
RECIPIENT'S identification number		\$ 2000.00	2b Taxable amount not determined <input checked="" type="checkbox"/>		Total distribution <input type="checkbox"/>		For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
RECIPIENT'S name		3 Capital gain (included in box 2a)	4 Federal income tax withheld		\$ 2000.00			
Street address (including apt. no.)		5 Employee contributions / Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities		\$			
City, state, and ZIP code		7 Distribution code(s)	8 Other		%			
1st year of desig. Roth contrib.		9a Your percentage of total distribution	9b Total employee contributions		\$		12 State distribution	
Account number (see instructions)		10 State tax withheld	11 State/Payer's state no.		\$			
Incorrect 1099-R		13 Local tax withheld	14 Name of locality		\$			
					\$		15 Local distribution	

Form 1099-R Cat. No. 14436Q Department of the Treasury - Internal Revenue Service

# Internal IRA Audit Procedures

## Primary Areas of Concern

## Governmental Reporting Requirements



9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.					
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution	2008		Form 1099-R			Copy A For Internal Revenue Service Center File with Form 1096.			
IRA Owner		\$ 10000.00									
Only Correct Method		2a Taxable amount									
		\$ 10000.00	2b Taxable amount not determined <input checked="" type="checkbox"/>		Total distribution <input type="checkbox"/>						
PAYER'S federal identification number	RECIPIENT'S identification number	3 Capital gain (included in box 2a)	4 Federal income tax withheld		2000.00			For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.			
		\$	\$								
RECIPIENT'S name		5 Employee contributions / Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities								
		\$	\$								
Street address (including apt. no.)		7 Distribution code(s)	IRA/SEP/SIMPLE <input checked="" type="checkbox"/>		8 Other						
		1			\$ %						
City, state, and ZIP code		9a Your percentage of total distribution	9b Total employee contributions								
		%	\$								
	1st year of desig. Roth contrib.	10 State tax withheld	11 State/Payer's state no.		12 State distribution						
		\$			\$						
		\$			\$						
Account number (see instructions)		13 Local tax withheld	14 Name of locality		15 Local distribution						
		\$			\$						
		\$			\$						

Form 1099-R      Cat. No. 14436Q      Department of the Treasury - Internal Revenue Service

# Internal IRA Audit Procedures

## Primary Areas of Concern

## Governmental Reporting Requirements



9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.					
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution	2009		Form 1099-R			Copy A For Internal Revenue Service Center File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.			
IRA Owner		\$ 10000.00									
Only Correct Method		2a Taxable amount									
		2b Taxable amount not determined <input checked="" type="checkbox"/>	Total distribution <input type="checkbox"/>								
PAYER'S federal identification number	RECIPIENT'S identification number	3 Capital gain (included in box 2a)	4 Federal income tax withheld								
		\$	\$ 2000.00								
RECIPIENT'S name		5 Employee contributions /Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities								
		\$	\$								
Street address (including apt. no.)		7 Distribution code(s)	IRA/SEP/SIMPLE	8 Other							
		1	<input checked="" type="checkbox"/>	\$ %							
City, state, and ZIP code		9a Your percentage of total distribution %	9b Total employee contributions \$								
		%	\$								
1st year of desig. Roth contrib.		10 State tax withheld	11 State/Payer's state no.		12 State distribution						
		\$			\$						
		\$			\$						
Account number (see instructions)		13 Local tax withheld	14 Name of locality		15 Local distribution						
		\$			\$						
		\$			\$						

Form 1099-R Cat. No. 14436Q Department of the Treasury - Internal Revenue Service

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

This means making sure none have been missed

Errors of omission are the most difficult to find

Checking transaction documents vs. reports/statements

All contributions reported on Form 5498 vs. actual audit copy

Make sure IRA Transfers received have not been reported

All distributions reported on Form 1099-R vs. actual audit copy

This includes verifying Income Tax Withholding

Make sure IRA Transfers sent have not been reported on Form 1099-R



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

This means making sure none have been missed



#### **FMV/Form 5498 Checklist**

How many IRAs did you start the year with ?

How many IRAs were closed out ?

Of these, how many had contributions ?

How many new IRAs were established ?

How many accountholders/beneficiaries died during the year ?



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions  
Check for additional reminders



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions
- \* FMV Statement vs. FMV reported on Form 5498



Collin W. Fritz & Associates  
17301 State Hwy 371  
PO Box 426  
Brainerd, MN 56401

**Statement**

Inst Fed. ID # 11-2222222 Tel. (800) 346-3961 Page 1

John Q. Public Reporting Period  
143212 Beach Lane from to  
Los Angeles, CA 92342 01/01/2007 12/31/2007

Individual Retirement Account Plan  
Birthdate 08/28/1950  
Attained age 59 1/2 02/28/2010 Attained age 70 1/2 02/28/2021  
Social Security # 222-22-2222 Retirement I.D. .... 0222222222

Transaction Description	Date	Amount	Balance
Account 20			
Type - CERTIFICATE OF DEPOSIT			2,000.00
Prior Balance			2,000.00
Current Year Contribution	07/17/2007	2,000.00	4,000.00
Interest paid	07/17/2007	5.24	4,005.24
Direct Transfer in	08/01/2007	1,000.00	5,005.24
Account 21			
Type - CERTIFICATE OF DEPOSIT			0.00
Prior Balance			0.00
Balance as of 01-01-2007	2,000.00	Contributions since 01-01-2007	
Plus Contributions		For 2006	0.00
Rollovers, Transfers	3,000.00	For 2007	2,000.00
Plus Interest Earned	5.24		
Change in Fair Market Value	0.00		
Less Distributions/Transfers	0.00	Rollover(s)	0.00
Federal Tax Withheld	0.00	Transfer(s)	1,000.00
Less Penalty Interest/Fee	0.00	WITH Conv	0.00
*Balance as of 12/31/2007	5,005.24		

NOTE: If a decedent is shown as the participant, upon the IRS giving us IRA custodian the option, we may furnish the fair market value as of the participant's date of death, or we may show \$0.00 as the fair market value and then the executor or the administrator of the decedent's estate may request the actual fair market value as of the date of death be furnished. Upon such request we will furnish this information.

FMVs must agree

2008  VOID  CORRECTED

TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10)	OMB No. 1545-0747
		\$	<b>2008</b> Form 5498
		\$	
TRUSTEE'S or ISSUER'S federal identification no.		2 Rollover contributions	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.
PARTICIPANT'S social security number		\$	
PARTICIPANT'S name		3 Roth IRA conversion amount	4 Rercharacterized contributions
		\$	\$
Street address (including apt. no.)		5 Fair market value of account	6 Life insurance cost included in box 1
		\$ 5005.24	\$
City, state, and ZIP code		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>	9 SIMPLE contributions
Account number (see instructions)		8 SEP contributions	\$
		\$	11 Check if RMD for 2009 <input type="checkbox"/>

Form 5498 Cat. No. 50010C Department of the Treasury - Internal Revenue Service





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions
- \* FMV Statement vs. FMV reported on Form 5498
- \* Form 1099-R unusual distribution codes



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions
- \* FMV Statement vs. FMV reported on Form 5498
- \* Form 1099-R unusual distribution codes



**Code 5 is an absolute MUST !!!!**

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions
- \* FMV Statement vs. FMV reported on Form 5498
- \* Form 1099-R unusual distribution codes

**Code 5 is an absolute MUST !!!!**

Codes 2, 3, 4, 8, P, J8, JP, R, N, and S



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions
- \* FMV Statement vs. FMV reported on Form 5498
- \* Form 1099-R unusual distribution codes

**Code 5 is an absolute MUST !!!!**

Codes 2, 3, 4, 8, P, J8, JP, R, N, and S

Check Roth IRA Codes J, Q and T





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions
- \* FMV Statement vs. FMV reported on Form 5498
- \* Form 1099-R unusual distribution codes
- \* Form 1099-R vs. Form 945 and Form 1096



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

\* Form 1099-R vs. Form 945 and Form 1096

Must all agree



The image displays three tax forms for the year 2008. On the left is Form 1099-R, 'Distribution from Pensions, Annuities, IRAs, etc.', showing a gross distribution of \$4,000. In the center is Form 945, 'Annual Return of Withheld Federal Income Tax', showing a total federal income tax withheld of \$4,000. On the right is Form 1096, 'Annual Summary and Transmittal of U.S. Information Returns', showing a total federal income tax withheld of \$4,000. A yellow box highlights the '4' in line 4 of Form 945 and line 4 of Form 1096. A red box highlights the 'M' in the monthly summary of federal tax liability on Form 945.

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions
- \* FMV Statement vs. FMV reported on Form 5498
- \* Form 1099-R unusual distribution codes
- \* Form 1099-R vs. Form 945 and Form 1096
- \* Form 1042-S vs. Form 1042 and Form 1042-T



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* Form 1042-S vs. Form 1042 and Form 1042-T

Must agree



**Form 1042-S Foreign Person's U.S. Source Income Subject to Withholding 2008**

Department of the Treasury Internal Revenue Service

OMB No. 1545-0045

Copy A

1 Income code 2 Gross income 3 Withholding allowances 4 Net income 5 Tax rate 6 Exempt code 7 Federal tax withheld 8 Total withholding credit

10 Amount repaid to recipient 11 Withholding agent's EIN 12a WITHHOLDING AGENT'S name 12b Address (number and street) 12c Additional address line (room or suite no.) 12d City or town, province or state, country, ZIP or foreign postal code

13a RECIPIENT'S name 13b Recipient code 13c Address (number and street) 13d Additional address line (room or suite no.) 13e City or town, province or state, country, ZIP or foreign postal code

14 Recipient's U.S. TIN, if any 15 Recipient's foreign tax identifying number, if any 16 Country 17 NOI's/FLOW-THROUGH ENTITY'S name 18 Country 19a NOI's/Entity's address (number and street) 19b Additional address line (room or suite no.) 19c City or town, province or state, country, ZIP or foreign postal code

20 NOI's/Entity's U.S. TIN, if any 21 PAYER'S name and TIN (if different from withholding agent) 22 Recipient account number (optional) 23 State income tax withheld 24 Payer's state tax no. 25 Name

For Privacy Act and Paperwork Reduction Act Notice, see page 16 of the separate instructions. Cat. No. 11386R Form 1042-S

**Form 1042 Annual Summary and Transmittal of U.S. Source Income 2008**

Department of the Treasury Internal Revenue Service

OMB No. 1545-0045

Copy A

Name of withholding agent 2 Number, street, and room or suite no. 3 City or town, province or state, and country (including postal code)

4 If you are an intermediary (see Form 1042 instructions), check if you are a:  QI/Withholding foreign partnership or trust  NOI/Flow-through entity

5 1a Type of paper Forms 1042-S attached (check only one box):  Original  Amended Also check here if pro-rata (see instructions)    
 b Number of paper Forms 1042-S attached

6 2a Total gross income on all paper Forms 1042-S (box 2) attached  \$ 2b   
 b Total U.S. federal tax withheld on all paper Forms 1042-S (box 9) attached

7 Caution: If you have already filed a Form 1042 and an attached Form 1042-S causes the gross income or tax withheld information shown on your previously filed Form 1042 to change, you must file an amended Form 1042. See the instructions below.

8 If this is your FINAL return, enter an "X" here

9 61 No. of Forms 1042-S filed: a On paper b Electronically   
 62 For all Form(s) 1042-S and 1000: a Gross income paid b Total tax withheld or required

63a Total tax liability (add monthly total lines from above)   
 63b Adjustments (see page 4)   
 63c Total net tax liability (combine lines 63a and 63b)

64 Total paid by federal tax deposit coupons or by electronic funds transfer (or with a request for an extension of time to file) for 2007   
 65 Enter overpayment applied as a credit from 2007 Form 1042   
 66 Credit for amounts withheld by other withholding agents (see page 4)   
 67 Total payments. Add lines 64 through 66   
 68 If line 63c is larger than line 67, enter balance due here   
 69 If line 67 is larger than line 63c, enter overpayment here   
 70 Penalty for failure to deposit tax when due. Also include on line 66 or line 69 (see page 4)   
 71 Apply overpayment on line 69 to (check one):  Credit on 2009 Form 1042 or  Refund

Third Party Designee: Do you want to allow another person to discuss this return with the IRS (see page 4)?  Yes, Complete the following:  No   
 Designee name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Personal identification number (PIN): \_\_\_\_\_   
 Preparer's Use Only: Preparer's signature: \_\_\_\_\_ Date: \_\_\_\_\_ Preparer's SSN or PTIN: \_\_\_\_\_   
 Preparer's name: \_\_\_\_\_ EIN: \_\_\_\_\_   
 Preparer's address: \_\_\_\_\_ Phone no.: \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the instructions. Cat. No. 11384V Form 1042 2008

**Form 1042-T Annual Summary and Transmittal of Forms 1042-S 2008**

Department of the Treasury Internal Revenue Service

OMB No. 1545-0045

Name of withholding agent 2 Number, street, and room or suite no. 3 City or town, province or state, and country (including postal code)

4 If you are an intermediary (see Form 1042 instructions), check if you are a:  QI/Withholding foreign partnership or trust  NOI/Flow-through entity

5 1a Type of paper Forms 1042-S attached (check only one box):  Original  Amended Also check here if pro-rata (see instructions)    
 b Number of paper Forms 1042-S attached

6 2a Total gross income on all paper Forms 1042-S (box 2) attached  \$ 2b   
 b Total U.S. federal tax withheld on all paper Forms 1042-S (box 9) attached

7 Caution: If you have already filed a Form 1042 and an attached Form 1042-S causes the gross income or tax withheld information shown on your previously filed Form 1042 to change, you must file an amended Form 1042. See the instructions below.

8 If this is your FINAL return, enter an "X" here

62b

63a

64

Must agree



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* RMD Notices vs. List of RMD distributions
- \* FMV Statement vs. FMV reported on Form 5498
- \* Form 1099-R unusual distribution codes
- \* Form 1099-R vs. Form 945
- \* Form 1042-S vs. Form 1042 and Form 1042-T
- \* Large Amounts





# *Internal IRA Audit Procedures*

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- \* Form 1099-R unusual distribution codes
- \* Form 1099-R vs. Form 945
- \* Form 1042-S vs. Form 1042 and Form 1042-T
- \* Large Amounts
- \* Owners', Officers', and Board of Directors' IRAs



# *Internal IRA Audit Procedures*

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- \* Form 1099-R unusual distribution codes
- \* Form 1099-R vs. Form 945
- \* Form 1042-S vs. Form 1042 and Form 1042-T
- \* Large Amounts
- \* Owners', Officers', and Board of Directors' IRAs
- \* Procedures for reporting to/for IRA Beneficiary per IRS Rev. Proc. 89-52





# *Internal IRA Audit Procedures*



Reporting Inherited IRAs

Per IRS Rev. Proc. 89-52



## *Internal IRA Audit Procedures*

### Reporting Inherited IRAs

Per IRS Rev. Proc. 89-52



Inherited IRAs do not need to be established

CWF Recommends

# *Internal IRA Audit Procedures*

## Reporting Inherited IRAs

Per IRS Rev. Proc. 89-52

Inherited IRAs do not need to be established

CWF Recommends

Reporting for inherited IRAs **IS REQUIRED**



# *Internal IRA Audit Procedures*

Rev. Proc. 89-52

Reporting Inherited IRAs

→ **Deceased IRA Owner** Reporting Requirements

Name and SSN of deceased

Year of Death only

FMV Statement

FMV on Date of Death or **ZERO**

Notice required with zero balance

# Internal IRA Audit Procedures

Sample  
Year-end  
Statement



<b>Collin W. Fritz &amp; Associates, Ltd.</b> 17301 State Hwy 371 PO Box 426 Brainerd, MN 56401			<b>Statement</b>	
Inst Fed. Id # 11-2222222 Page 1		Tel. (800) 346-3961		
<b>John Q. Public</b> 143212 Beach Lane Los Angeles, CA 92342		from	Reporting to 01/01/2008	Period 12/31/2008
<b>Individual Retirement Account Plan</b>				
Birthdate 08/28/1950				
Attained Age 59½ 02/28/2010		Attained Age 70½ 02/28/2021		
Social Security # 222-22-2222		Retirement Id 0222222222		
<hr/>				
<b>----- Transaction Description ----- Date ----- Amount ----- Balance</b>				
<b>Account 20</b>				
Type - Certificate of Deposit				
Prior Balance			2,000.00	
Current Year Contribution		07/17/2008	2,000.00	4,000.00
Interest Paid		07/17/2008	5.24	4,005.24
Direct Transfer Out		08/01/2008	4,005.24	.00
<hr/>				
Balance as of 01-01-2008			Contributions Since 01-01-2008	
Plus Contributions			for 2007 .00	
Rollovers, Transfers			for 2008 2,000.00	
Plus Interest Earned				
Change in Fair Market Value				
Less Distrib/Transfers			Rollovers .00	
Federal Tax Withheld			Transfers .00	
Less Penalty Interest/Fees			Roth Conversions .00	
Balance as of 12/31/2008				
<hr/>				
<p><b>Note: If a decedent is shown as the participant, then the IRS gives an IRA Custodian two options. We may furnish the fair market value as of the participant's date of death, or we may show \$0.00 as the fair market value and then the executor or the administrator of the decedent's estate may request the actual fair market value as of the date of death to be furnished. Upon such request we will furnish this information.</b></p>				



# *Internal IRA Audit Procedures*

Rev. Proc. 89-52

Reporting Inherited IRAs

**Deceased IRA Owner** Reporting Requirements

Name and SSN of deceased

Year of Death only


FMV Statement

FMV on Date of Death or **ZERO**

Notice required with zero balance



Form 5498



# *Internal IRA Audit Procedures*

Rev. Proc. 89-52

Reporting Inherited IRAs

**Deceased IRA Owner** Reporting Requirements

Name and SSN of deceased

Year of Death only

FMV Statement

Form 5498



Last Report or statement for deceased IRA Owner

# *Internal IRA Audit Procedures*

Rev. Proc. 89-52

Reporting Inherited IRAs

 **Beneficiaries of Deceased IRA Owner**

Beneficiary SSN or TIN (NOT SSN of Deceased)

Beneficiary Reporting Requirements

December 31 FMV Statement

IRS Form 5498

Titled as Inherited IRA

**“ABC Financial Institution as custodian/trustee for John Jones  
as beneficiary of James Smith Trad/Roth etc. IRA”**

# *Internal IRA Audit Procedures*

Rev. Proc. 89-52

Reporting Inherited IRAs

## **Beneficiaries of Deceased IRA Owner**

Beneficiary SSN or TIN (NOT SSN of Deceased)

Beneficiary Reporting Requirements

December 31 FMV Statement

IRS Form 5498

Titled as Inherited IRA

**“ABC Financial Institution as custodian/trustee for John Jones  
as beneficiary of James Smith Trad/Roth etc. IRA”**



Non-Compliance Penalties can be Severe

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* Procedures for reporting to/for IRA Beneficiaries per IRS Rev. Proc. 89-52

- \* SEP and SIMPLE IRA reporting

Contributions must be reported on calendar year basis



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Are all forms/statements/reports completed correctly ?

Have all required forms/statements/reports been completed ?

Minimum review should include

- \* Procedures for reporting to/for IRA Beneficiaries per IRS Rev. Proc. 89-52
- \* SEP and SIMPLE IRA reporting
  - Contributions must be reported on calendar year basis



Example: On April 15, 2009, ABC, Inc. deposits \$10,000 into the SEP IRA for John, for tax year 2008

# Internal IRA Audit Procedures

➔ 2009 IRS Form 5498

2828		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0747		IRA Contribution Information	
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code  <b>John</b>		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, 14a, and 15a) \$		2009 Form 5498		Copy A For Internal Revenue Service Center  File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.	
		2 Rollover contributions \$					
		3 Roth IRA conversion amount \$		4 Recharacterized contributions \$			
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number	5 Fair market value of account \$ <b>12,000</b>		6 Life insurance cost included in box 1 \$			
PARTICIPANT'S name		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>		8 SEP contributions \$ <b>10,000</b>		9 SIMPLE contributions \$	
Street address (including apt. no.)		10 Roth IRA contributions \$		11 Check if RMD for 2010 <input type="checkbox"/>			
City, state, and ZIP code		12a RMD date		12b RMD amount \$			
		13a Postponed contribution \$		13b Year		13c Code	
		14a Repayments \$		14b Code			
Account number (see instructions)		15a Other contributions \$		15b Code			

Form 5498

Cat. No. 50010C

Department of the Treasury - Internal Revenue Service

# Internal IRA Audit Procedures

➔ 2009 IRS Form 5498


2828		<input type="checkbox"/> VOID		<input type="checkbox"/> CORRECTED			
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code  <b>Jane</b>		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, 14a, and 15a) \$		OMB No. 1545-0747 <b>2009</b> Form 5498			
		2 Rollover contributions \$		4 Recharacterized contributions \$			
		3 Roth IRA conversion amount \$					
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number	5 Fair market value of account  \$ <b>12,000</b>		6 Life insurance cost included in box 1 \$			
PARTICIPANT'S name		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input checked="" type="checkbox"/> Roth IRA <input type="checkbox"/>		<b>IRA Contribution Information</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b>  File with Form 1096.  For Privacy Act and Paperwork Reduction Act Notice, see the 2009 General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G.			
Street address (including apt. no.)		8 SEP contributions \$				9 SIMPLE contributions \$ <b>10,000</b>	
City, state, and ZIP code		10 Roth IRA contributions \$				11 Check if RMD for 2010 <input type="checkbox"/>	
Account number (see instructions)		12a RMD date				12b RMD amount \$	
		13a Postponed contribution \$				13b Year	
		14a Repayments \$		13c Code			
		15a Other contributions \$		14b Code			
				15b Code			

Form 5498

Cat. No. 50010C

Department of the Treasury - Internal Revenue Service





## *Internal IRA Audit Procedures*

Primary Areas of Concern

Governmental Reporting Requirements



Correcting Required Reports



## *Internal IRA Audit Procedures*


Primary Areas of Concern

Governmental Reporting Requirements

Correcting Required Reports

IRA Custodian/Trustee responsibility





## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Governmental Reporting Requirements

##### Correcting Required Reports

IRA Custodian/Trustee responsibility

No statute of limitations





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

#### Correcting Required Reports

IRA Custodian/Trustee responsibility

No statute of limitations

Save all documentation for clear audit trail





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

#### Correcting Required Reports

IRA Custodian/Trustee responsibility

No statute of limitations

Save all documentation for clear audit trail

Was the proper method used to correct IRS reports ?

If SSN or TIN is incorrect, two reports must be used to correct

If just the amounts are incorrect, one corrected report is used



# *Internal IRA Audit Procedures*

## IRS Form 1099-R

### → Correcting Form 1099-R

Responsibility of IRA Custodian/Trustee

Two Error Types

Type # 1	Correct TIN, Incorrect information – Money amounts, Codes, Checkbox, Incorrect address, Incorrect payee name, or A return was filed when one should not have been
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Requires just one corrected Form 1099-R

# Internal IRA Audit Procedures

## IRS Form 1099-R

### Correcting Form 1099-R

#### Responsibility of IRA Custodian/Trustee

#### Two Error Types

Type # 1	Correct TIN, Incorrect information
----------	------------------------------------

Requires just one corrected Form 1099-R

Complete entire Form 1099-R



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9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code <b>Correct TIN, Incorrect Data</b>		1 Gross distribution		2008 Form 1099-R		Total distribution <input type="checkbox"/>	
		\$ 10,000					
PAYER'S federal identification number 22-2222222		2a Taxable amount		4 Federal income tax withheld		Copy A For Internal Revenue Service Center File with Form 1096.	
		\$ 10,000					
RECIPIENT'S identification number 111-11-1111		3 Capital gain (included in box 2a)		6 Net unrealized appreciation in employer's securities		For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
RECIPIENT'S name		5 Employee contributions / Designated Roth contributions or insurance premiums		8 Other			
Street address (including apt. no.)		7 Distribution code(s) 1		IRA/SEP/SIMPLE <input checked="" type="checkbox"/>		9b Total employee contributions	
City, state, and ZIP code		9a Your percentage of total distribution %		11 State/Payer's state no.		12 State distribution	
1st year of desig. Roth contrib.		10 State tax withheld		14 Name of locality		15 Local distribution	
Account number (see instructions)		13 Local tax withheld		11 State/Payer's state no.		12 State distribution	
Original 1099-R		\$		\$		\$	

# Internal IRA Audit Procedures

## IRS Form 1099-R

### Correcting Form 1099-R

#### Responsibility of IRA Custodian/Trustee

#### Two Error Types

Type # 1	Correct TIN, Incorrect information
----------	------------------------------------

Requires just one corrected Form 1099-R

Complete entire Form 1099-R

Example

9898		<input type="checkbox"/> VOID		<input checked="" type="checkbox"/> CORRECTED	
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		OMB No. 1545-0119	
<b>Correct TIN, Incorrect Data</b>		\$ 10,000		2008	
PAYER'S federal identification number		2a Taxable amount		Form 1099-R	
22-2222222		\$ 10,000		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
RECIPIENT'S identification number		2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>	
111-11-1111				Copy A For Internal Revenue Service Center	
RECIPIENT'S name		3 Capital gain (included in box 2a)		4 Federal income tax withheld	
Street address (including apt. no.)		\$		\$	
City, state, and ZIP code		5 Employee contributions / Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities	
		\$		\$	
		7 Distribution code(s)		8 Other	
		7		%	
1st year of desig. Roth contrib.		9a Year percentage of total distribution %		9b Total employee contributions	
				\$	
Account number (see instructions)		10 State tax withheld		11 State/Payer's state no.	
<b>Corrected 1099-R</b>		\$		\$	
1000-D		13 Local tax withheld		14 Name of locality	
		\$		\$	
		15 Local distribution		\$	
				\$	



# *Internal IRA Audit Procedures*

## IRS Form 1099-R

### Correcting Form 1099-R

#### Responsibility of IRA Custodian/Trustee

#### Two Error Types



Type # 1	Correct TIN, Incorrect information
Type # 2	Incorrect TIN – Incorrect payee name <b>AND</b> address, or original return was filed using wrong type of form

Requires two 1099-Rs

# Internal IRA Audit Procedures

## IRS Form 1099-R

### Correcting Form 1099-R

#### Responsibility of IRA Custodian/Trustee

#### Two Error Types

Type # 1	Correct TIN, Incorrect information
Type # 2	Incorrect TIN

Requires two 1099-Rs

Zero out incorrect TIN

Issue original or Corrected 1099-R with correct TIN



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9898		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		2008		Form 1099-R	
<b>Incorrect TIN,</b>		\$ 5,000					
<b>Correct Data</b>		2a Taxable amount				Copy A For Internal Revenue Service Center	
		\$ 5,000		Total distribution <input type="checkbox"/>			
PAYER'S federal identification number		3 Capital gain (included in box 2a)		4 Federal income tax withheld		File with Form 1096.	
22-2222222							
RECIPIENT'S identification number		5 Employee contributions /Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities		For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.	
111-11-1111		\$		\$			
RECIPIENT'S name		7 Distribution code(s)		8 Other			
		7 X IRA/SEP/SIMPLE		\$ %			
Street address (including apt. no.)		9a Your percentage of total distribution %		9b Total employee contributions \$			
City, state, and ZIP code		10 State tax withheld		11 State/Payer's state no.		12 State distribution	
		\$				\$	
Account number (see instructions)		13 Local tax withheld		14 Name of locality		15 Local distribution	
<b>Original 1099-R</b>		\$				\$	

# Internal IRA Audit Procedures

## IRS Form 1099-R

### Correcting Form 1099-R

#### Responsibility of IRA Custodian/Trustee

#### Two Error Types

Type # 1	Correct TIN, Incorrect information
Type # 2	Incorrect TIN

Requires two 1099-Rs

Zero out incorrect TIN

Issue original or Corrected 1099-R with correct TIN



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9898 <input type="checkbox"/> VOID <input checked="" type="checkbox"/> CORRECTED				OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.			
PAYER'S name, street address, city, state, and ZIP code <b>Incorrect TIN,</b> <b>Correct Data</b>		1 Gross distribution		<b>2008</b> Form 1099-R				Copy A For Internal Revenue Service Center	
		\$ .00				2a Taxable amount			
PAYER'S federal identification number <b>22-2222222</b>		RECIPIENT'S identification number <b>111-11-1111</b>		2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>			
				3 Capital gain (included in box 2a)		4 Federal income tax withheld			
RECIPIENT'S name		5 Employee contributions /Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities		For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.			
		7 Distribution code(s) <b>7</b>		8 Other					
Street address (including apt. no.)		9a Your percentage of total distribution %		9b Total employee contributions \$				File with Form 1096.	
City, state, and ZIP code		10 State tax withheld \$		11 State/Payer's state no.					
Account number (see instructions)		13 Local tax withheld \$		14 Name of locality		15 Local distribution \$			
<b>Corrected Original 1099-R</b>									

# Internal IRA Audit Procedures

## IRS Form 1099-R

### Correcting Form 1099-R

#### Responsibility of IRA Custodian/Trustee

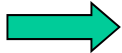
#### Two Error Types

Type # 1	Correct TIN, Incorrect information
Type # 2	Incorrect TIN

Requires two 1099-Rs

Zero out incorrect TIN

Issue original or Corrected 1099-R with correct TIN



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9898 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		1 Gross distribution		OMB No. 1545-0119	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
PAYER'S name, street address, city, state, and ZIP code <b>Incorrect TIN, Correct Data</b>		\$ 5000	2008	Form 1099-R	
PAYER'S federal identification number 22-2222222		2a Taxable amount \$ 5000		Total distribution <input type="checkbox"/>	
RECIPIENT'S identification number 333-33-3333		2b Taxable amount not determined <input type="checkbox"/>		Copy A For Internal Revenue Service Center	
RECIPIENT'S name		3 Capital gain (included in box 2a)		4 Federal income tax withheld	
Street address (including apt. no.)		5 Employee contributions /Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities	
City, state, and ZIP code		7 Distribution code(s) 7		8 Other	
1st year of desig. Roth contrib.		9a Your percentage of total distribution %		9b Total employee contributions \$	
Account number (see instructions)		10 State tax withheld		11 State/Payer's state no.	
<b>Corrected TIN and Data</b>		13 Local tax withheld		14 Name of locality	
		15 Local distribution			

Form 1099-R Cat. No. 14436Q Department of the Treasury - Internal Revenue Service



# *Internal IRA Audit Procedures*

## IRS Form 5498 - IRA Contribution Information

 Correcting Form 5498

Responsibility of IRA Custodian/Trustee

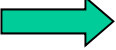
# *Internal IRA Audit Procedures*

## IRS Form 5498 - IRA Contribution Information

### Correcting Form 5498

Responsibility of IRA Custodian/Trustee

Two Error Types



Type # 1	Correct TIN, Incorrect Information – Money amounts, Codes, Check box, Incorrect address, Incorrect Payee name, or A return was filed when one should not have been
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Requires just one Corrected Form 5498

# Internal IRA Audit Procedures

## IRS Form 5498 - IRA Contribution Information

### Correcting Form 5498

Responsibility of IRA Custodian/Trustee

Two Error Types

Type # 1	Correct TIN, Incorrect Information
----------	------------------------------------

Requires just one Corrected Form 5498

Complete entire Form 5498



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e

2828		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0747		<b>IRA Contribution Information</b>
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code <b>Example - Correct TIN, Incorrect Amounts</b>		1 IRA contributions (other than amounts in boxes 2-4 and 8-10) \$ <b>5000</b>	2 Rollover contributions \$ <b>10000</b>	<b>2008</b> Form 5498		
TRUSTEE'S or ISSUER'S federal identification no. <b>22-2222222</b>	PARTICIPANT'S social security number <b>111-11-1111</b>	3 Roth IRA conversion amount \$	4 Recharacterized contributions \$ <b>5000</b>	<b>Copy A</b> For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.		
PARTICIPANT'S name		5 Fair market value of account \$	6 Life insurance cost included in box 1 \$			
Street address (including apt. no.)		7 <input checked="" type="checkbox"/> IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA				
City, state, and ZIP code		8 SEP contributions \$	9 SIMPLE contributions \$			
Account number (see instructions) <b>Original Form</b>		10 Roth IRA contributions \$	11 Check if RMD for 2009 <input type="checkbox"/>			
Form 5498		Cat. No. 50010C		Department of the Treasury - Internal Revenue Service		

# Internal IRA Audit Procedures

## IRS Form 5498 - IRA Contribution Information

### Correcting Form 5498

Responsibility of IRA Custodian/Trustee

Two Error Types

Type # 1	Correct TIN, Incorrect Information
----------	------------------------------------

Requires just one Corrected Form 5498

Complete entire Form 5498

Example

2828		<input type="checkbox"/> VOID <input checked="" type="checkbox"/> CORRECTED		OMB No. 1545-0747		IRA Contribution Information
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10)		2008		
Example - Correct TIN, Correct Amounts		\$ 5000		Form 5498		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.
		2 Rollover contributions		\$ 10000		
TRUSTEE'S or ISSUER'S federal identification no.	PARTICIPANT'S social security number	3 Roth IRA conversion amount		4 Reclassified contributions		
22-2222222	111-11-1111	\$		\$ 6000		
PARTICIPANT'S name		5 Fair market value of account		6 Life insurance cost included in box 1		
		\$		\$		
Street address (including apt. no.)		7 IRA SEP SIMPLE Roth IRA				
		<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				
City, state, and ZIP code		8 SEP contributions		9 SIMPLE contributions		
		\$		\$		
Account number (see instructions)		10 Roth IRA contributions		11 Check if RMD for 2009		
		\$		<input type="checkbox"/>		
Form 5498		Cat. No. 50010C		Department of the Treasury - Internal Revenue Service		




# *Internal IRA Audit Procedures*

## IRS Form 5498 - IRA Contribution Information

Correcting Form 5498

Responsibility of IRA Custodian/Trustee

Two Error Types



Type # 1	Correct TIN, Incorrect Information
Type # 2	Incorrect TIN, Incorrect Payee name and address, or Original return filed using the wrong type of return

Requires two Form 5498s

# Internal IRA Audit Procedures

## IRS Form 5498 - IRA Contribution Information

### Correcting Form 5498

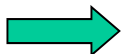
Responsibility of IRA Custodian/Trustee

Two Error Types

Type # 1	Correct TIN, Incorrect Information
Type # 2	Incorrect TIN, Incorrect Payee name and address, or Original return filed using the wrong type of return

Requires two Form 5498s

Example



2828		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED			
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10)	OMB No. 1545-0747	<b>IRA Contribution Information</b>	
<b>Incorrect TIN, Correct Amounts</b>		\$ 5000	2008		
TRUSTEE'S or ISSUER'S federal identification no.		2 Rollover contributions	Form 5498	<b>Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>	
22-2222222		\$ 10000	4 Recharacterized contributions		
PARTICIPANT'S social security number		5 Fair market value of account	\$ 6000		
111-11-1111		\$	6 Life insurance cost included in box 1		
PARTICIPANT'S name		7 IRA SEP SIMPLE Roth IRA			
Street address (including apt. no.)		<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			
City, state, and ZIP code		8 SEP contributions	9 SIMPLE contributions		
Account number (see instructions)		\$	\$		
<b>Original 5498</b>		10 Roth IRA contributions	11 Check if RMD for 2009		
		\$	<input type="checkbox"/>		
Form 5498		Cat. No. 50010C		Department of the Treasury - Internal Revenue Service	

# Internal IRA Audit Procedures

## IRS Form 5498 - IRA Contribution Information

### Correcting Form 5498

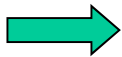
#### Responsibility of IRA Custodian/Trustee

#### Two Error Types

Type # 1	Correct TIN, Incorrect Information
Type # 2	Incorrect TIN, Incorrect Payee name and address, or Original return filed using the wrong type of return

Requires two Form 5498s

Zero out incorrect TIN



E  
x  
a  
m  
p  
l  
e

2828		<input type="checkbox"/> VOID <input checked="" type="checkbox"/> CORRECTED		OMB No. 1545-0747		<b>IRA Contribution Information</b>
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10)		2008		
<b>Incorrect TIN, Correct Amounts</b>		\$ 0		Form 5498		<b>Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>
TRUSTEE'S or ISSUER'S federal identification no.		2 Rollover contributions		4 Recharacterized contributions		
22-2222222		\$ 0		\$ 0		
PARTICIPANT'S social security number		3 Roth IRA conversion amount		6 Life insurance cost included in box 1		
111-11-1111		\$		\$		
PARTICIPANT'S name		5 Fair market value of account		7 IRA SEP SIMPLE Roth IRA		
Street address (including apt. no.)		\$		<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		
City, state, and ZIP code		8 SEP contributions		9 SIMPLE contributions		
\$		\$		\$		
Account number (see instructions)		10 Roth IRA contributions		11 Check if RMD for 2009		
<b>Corrected 5498</b>		\$		<input type="checkbox"/>		
Form 5498		Cat. No. 50010C		Department of the Treasury - Internal Revenue Service		

# Internal IRA Audit Procedures

## IRS Form 5498 - IRA Contribution Information

### Correcting Form 5498

Responsibility of IRA Custodian/Trustee

Two Error Types

Type # 1	Correct TIN, Incorrect Information
Type # 2	Incorrect TIN, Incorrect Payee name and address, or Original return filed using the wrong type of return

Requires two Form 5498s

Zero out incorrect TIN

Issue Original or Corrected 5498 with correct TIN



E  
x  
a  
m  
p  
l  
e

2828		<input type="checkbox"/> VOID <input checked="" type="checkbox"/> CORRECTED		OMB No. 1545-0747		<b>IRA Contribution Information</b>
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10)		2008		
<b>Correct TIN, Correct Amounts</b>		\$ 5000		Form 5498		<b>Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.</b>
2 Rollover contributions		\$ 10000		4 Reclassified contributions		
TRUSTEE'S or ISSUER'S federal identification no.	ARTICIPANT'S social security number	3 Roth IRA conversion amount	4 Reclassified contributions			
22-2222222	333-33-3333	\$	\$ 6000			
PARTICIPANT'S name		5 Fair market value of account	6 Life insurance cost included in box 1			
Street address (including apt. no.)		7 IRA SEP SIMPLE Roth IRA	\$			
City, state, and ZIP code		<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	\$			
Account number (see instructions)		8 SEP contributions	9 SIMPLE contributions			
		\$	\$			
		10 Roth IRA contributions	11 Check if RMD for 2009			
		\$	<input type="checkbox"/>			
Form 5498		Cat. No. 50010C		Department of the Treasury - Internal Revenue Service		



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

Correcting Required Reports

Substitute Forms/Reports

Use only complying substitute forms

IRS Publication 1179





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- Correcting Required Reports

- Substitute Forms/Reports

  - Use only complying substitute forms

    - Include IRS Recipient/Participant Instructions





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Governmental Reporting Requirements

- Correcting Required Reports

- Substitute Forms/Reports

  - Use only complying substitute forms

    - Include IRS Recipient/Participant Instructions

    - Include correct number of forms to Recipient /Participant





## *Internal IRA Audit Procedures*

### Primary Areas of Concern


#### Governmental Reporting Requirements



Complying with and Proving Compliance

Documentation is essential





## *Internal IRA Audit Procedures*

Primary Areas of Concern

➔ Internal Procedures and Related Administrative Forms



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms



#### Contribution Forms

Name, Date, Amount, Type of Contribution, Tax Year when applicable,  
dated Signature

Compare to Statements and Form 5498



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

Name, Date, Amount, IRS Reason, Signature

Proper Federal Withholding Election ?

Proper Federal Withholding Notices ?

Are State Withholding procedures followed ?

Compare to Form 1099-R



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

Did Transfer Request originate at or was it signed by the original Custodian/Trustee ?

Was IRA Accountholder contacted before sending/executing the transfer ?

Was your financial institution's distribution form completed ?

Was Check/Draft/Wire executed properly ?

“ABC Financial Institution as custodian/trustee for John Doe's traditional IRA”

or

“ABC Financial Institution fbo John Doe's traditional IRA”

BE SURE TO INCLUDE “IRA” IN PAYEE

Were the requested amounts accurate ?

Compare vs. Form 1099-R (**NO Transfer-outs should be reported**)

# Internal IRA Audit Procedures

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

Did Transfer Request originate with or was signed by your Financial Institution ?

Was Check/Draft/Wire received/executed properly ?

“ABC Financial Institution as custodian/trustee for John Doe’s traditional IRA”

or

“ABC Financial Institution fbo John Doe’s traditional IRA”

BE SURE “IRA” WAS INCLUDED IN PAYEE

Were the requested amounts accurate ?

Follow-up on all outstanding transfer requests

Compare vs. Form 5498 (**No Transfer-ins should be reported**)

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**




IRA-to-IRA Rollovers

Was rollover amount documented ?

Was rollover documented as “Irrevocable” as required by the IRS ?

Compare to Form 5498



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers



Was Direct Rollover Request executed at the IRA Custodian/Trustee ?





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers

Was Direct Rollover Request executed at the IRA Custodian/Trustee ?

Follow-up on all outstanding Direct Rollover Requests



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers

Was Direct Rollover Request executed at the IRA Custodian/Trustee ?

Follow-up on all outstanding Direct Rollover Requests

Could be your form or ERPs form



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers

Was Direct Rollover Request executed at the IRA Custodian/Trustee ?

Was ERP check/draft/wire executed properly ?



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers

Was Direct Rollover Request executed at the IRA Custodian/Trustee ?

Was ERP check/draft/wire executed properly ?



“ABC Financial Institution as custodian/trustee for John Doe’s traditional IRA”

or

“ABC Financial Institution fbo John Doe’s traditional IRA”

BE SURE “IRA” WAS INCLUDED IN PAYEE

# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers

Was Direct Rollover Request executed at the IRA Custodian/Trustee ?

Was ERP check/draft/wire executed properly ?

“ABC Financial Institution as custodian/trustee for John Doe’s traditional IRA”

or

“ABC Financial Institution fbo John Doe’s traditional IRA”

BE SURE “IRA” WAS INCLUDED IN PAYEE

Was rollover amount documented ?



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers

Was Direct Rollover Request executed at the IRA Custodian/Trustee ?

Was ERP check/draft/wire executed properly ?

“ABC Financial Institution as custodian/trustee for John Doe’s traditional IRA”  
or

“ABC Financial Institution fbo John Doe’s traditional IRA”

BE SURE “IRA” WAS INCLUDED IN PAYEE

Was rollover amount documented ?

Was rollover documented as “Irrevocable” as required by the IRS ?



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers

Was Direct Rollover Request executed at the IRA Custodian/Trustee ?

Was ERP check/draft/wire executed properly ?

“ABC Financial Institution as custodian/trustee for John Doe’s traditional IRA”

or

“ABC Financial Institution fbo John Doe’s traditional IRA”

BE SURE “IRA” WAS INCLUDED IN PAYEE

Was rollover amount documented ?

Was rollover documented as “Irrevocable” as required by the IRS ?

Did the amount agree with the request ?

Follow up on any differences



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms

Contribution Forms

Distribution Forms

IRA-to-IRA Transfers-**OUT**

IRA-to-IRA Transfers-**IN**

IRA-to-IRA Rollovers

ERP-to-IRA Direct Rollovers

Was Direct Rollover Request executed at the IRA Custodian/Trustee ?

Was ERP check/draft/wire executed properly ?

“ABC Financial Institution as custodian/trustee for John Doe’s traditional IRA”

or

“ABC Financial Institution fbo John Doe’s traditional IRA”

BE SURE “IRA” WAS INCLUDED IN PAYEE

Was rollover amount documented ?

Was rollover documented as “Irrevocable” as required by the IRS ?

Did the amount agree with the request ?

Compare to Form 5498







# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms



#### Recharacterizations

Check documentation to verify

Many confuse with Roth Conversions

Make sure correct codes, R or N, are used

Compare Form 1099-R and Form 5498



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Internal Procedures and Related Administrative Forms




#### Roth Conversions

Check documentation to verify

Many confuse with Recharacterizations

Compare Form 1099-R and Form 5498



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

 Beneficiary Designations

Probably more important from a legal standpoint  
than for IRS compliance purposes



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Beneficiary Designations

Probably more important from a legal standpoint



Does each IRA file have a properly executed Beneficiary Designation ?

Signed, Dated, Beneficiary Name, Address, SSN/TIN, Share %

No cross-outs, no write-overs, no white-outs, etc.



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Beneficiary Designations

Probably more important from a legal standpoint

Does each IRA file have a properly executed Beneficiary Designation ?

Does your staff know the difference between the Pro Rata and

Per Stirpes payout methods ?



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Beneficiary Designations



#### Pro Rata Example

#### IRA Owner - Situation 1

Three primary beneficiaries sharing equally

1. 1/3 share
2. 1/3 share
3. 1/3 share

Upon death of the IRA owner each beneficiary gets 1/3 of the IRA

# Internal IRA Audit Procedures

## Primary Areas of Concern

### Beneficiary Designations



Pro Rata Example

IRA Owner - Situation 2

Three primary beneficiaries sharing equally

1. 1/3 share
2. 1/3 share - Beneficiary # 2 predeceases IRA owner
3. 1/3 share

Upon death of the IRA owner each SURVIVING beneficiary gets  $\frac{1}{2}$  of the IRA

**Note:** Nothing goes to the estate or the family of the deceased primary beneficiary

# Internal IRA Audit Procedures

## Primary Areas of Concern

### Beneficiary Designations



Per Stirpes Example

IRA Owner - Situation 1

Three primary beneficiaries sharing equally

1. 1/3 share
2. 1/3 share
3. 1/3 share

Upon death of the IRA owner each SURVIVING beneficiary gets 1/3 of the IRA

*(Same as under Pro Rata)*



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Beneficiary Designations



Per Stirpes Example

IRA Owner - Situation 2

Three primary beneficiaries sharing equally

1. 1/3 share
2. 1/3 share - **Beneficiary # 2 predeceases IRA Owner**
3. 1/3 share

Upon death of the IRA owner each SURVIVING beneficiary gets 1/3 of the IRA

**Note:** The 1/3 share of the IRA belonging to the deceased primary beneficiary goes to the deceased primary beneficiary's heirs and issues as determined by state law.



# *Internal IRA Audit Procedures*


## Primary Areas of Concern

### Beneficiary Designations

Probably more important from a legal standpoint

Does each IRA file have a properly executed Beneficiary Designation ?

Does your staff know the difference between Pro Rata and  
Per Stirpes payout methods ?



Does your IRA document support the Per Stirpes method ?  
How can it be amended to include ?

# Internal IRA Audit Procedures

## Primary Areas of Concern

### Beneficiary Designations

Probably more important from a legal standpoint

Does each IRA file have a properly executed Beneficiary Designation ?

Does your staff know the difference between Pro Rata and Per Stirpes payout methods ?

Does your IRA document support the Per Stirpes method ?

How can it be amended to include ?

### Designation of Beneficiaries

CWF Application - Pro Rata vs. Per Stirpes (*Select one*)

#### Designation of Beneficiary

Section 1.6 of Article VIII of the Individual Retirement Custodial Account (Form 5305-A) contains an important discussion of your right to name primary and contingent beneficiary(ies). Your designation will revoke all prior IRA beneficiary designations with respect to the referenced IRA account. In the event of your death you hereby direct that any balance in your IRA shall be paid to the following designated beneficiary or beneficiaries. If any primary or contingent beneficiary dies before you, then you wish to have the following result:

- the interest of that deceased beneficiary, his or her issue and spouse, if any, shall terminate totally and the percentage share of any surviving beneficiary(ies) shall increase **in a pro rata basis; or**
- the interest of that deceased beneficiary shall be paid to his or her issue who are alive or who have living issue, such issue will take by right of representation the share the deceased beneficiary would have taken if living, and persons of the same class shall share equally. **(Per Stirpes)**

If you do not make the above designation, then you are deemed to have elected the "pro rata" selection.

If you designate your spouse as your sole primary beneficiary, and he or she predeceases you, then you intend the funds to be transferred to your contingent beneficiary(ies) who shall become the primary beneficiary(ies) and not pass per stirpes to the issue of your spouse.

You hereby designate the following individual(s) and/or entity(es) to be your beneficiary(ies). You must check Primary or Contingent for each beneficiary. If neither is checked, the designated beneficiary will be deemed to be a primary beneficiary.



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Beneficiary Designations

Probably more important from a legal standpoint

Does each IRA file have a properly executed Beneficiary Designation ?

Does your staff know the difference between Pro Rata and  
Per Stirpes payout methods ?

Does your IRA document support the Per Stirpes method ?

Do your procedures allow the Per Stirpes method ?





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Beneficiary Designations

Probably more important from a legal standpoint

Does each IRA file have a properly executed Beneficiary Designation ?

Does your staff know the difference between the Pro Rata and

Do the Community Property or Marital Property laws apply ?

Has the Spouse signed where applicable ?

Has the Spouse's signature been witnessed where applicable ?



# Internal IRA Audit Procedures

## Primary Areas of Concern

➔ Special Situation - Spouse's Signature & Consent

### Special Situation—Spouse's Signature/Consent

If you reside in a **State with community or marital property laws** and you are married and you wish to name a person(s) other than or in addition to your spouse as the beneficiary, then you need to obtain your spouse's consent. Otherwise you do not.

#### Spouse's Notice, Certification of Consent and Signature

I am the spouse of the IRA depositor. I understand that my spouse wishes to name an IRA beneficiary other than or in addition to myself. I hereby agree or consent to my spouse's designation of beneficiaries. I expressly understand that my signature indicates my consent and that the legal effect of this signature is to change the character of the ownership of the interest I have in such IRA funds. I understand that I may consult with my attorney before deciding to give such consent or not.

Spouse's Signature \_\_\_\_\_

Date \_\_\_\_\_



## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Special Situation - Spouse's Signature & Consent

- ➔ Community and Marital Property State Law
  - Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin, and Alaska

# Internal IRA Audit Procedures

Primary Areas of Concern

Special Situation - Spouse's Signature & Consent

If Spouse's Signature is Obtained, Have Witnessed

Depositor's Signature \_\_\_\_\_ Date \_\_\_\_\_

Authorized Signature  
of Custodian \_\_\_\_\_ Date \_\_\_\_\_

**Witness** \_\_\_\_\_  
Use only if signature of the depositor, the custodian, or the spouse is required to be witnessed





## *Internal IRA Audit Procedures*

### Primary Areas of Concern

#### Beneficiary Designations

Probably more important from a legal standpoint

Does each IRA file have a properly executed Beneficiary Designation ?

Does your staff know the difference between the Pro Rata and

Do the Community Property or Marital Property laws apply ?

Are the IRA Accountholders regularly reminded to check/update  
the beneficiary designations ?





## *Internal IRA Audit Procedures*

### Primary Areas of Concern



#### State Withholding Procedures

Have all State withholding procedures been followed ?

Have all deposits been made timely ?

Be sure to check the required procedures

Do not assume it has been done correctly in the past

Compare to Form 1099-R



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics



#### Power of Attorney

Make sure it is executed to include the IRA

Check with your legal counsel

IRA and IRA transactions are reported in name and SSN of  
the IRA Accountholder

Maintain copy in IRA File



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Make sure it is executed to include the IRA

Check with your legal counsel

IRA and IRA transactions are reported in name and SSN of  
the IRA Accountholder

Maintain copy in IRA File



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Properly executed and filed per Internal Revenue Code section 2518

CWF recommends the  
beneficiary uses an attorney



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Properly executed and filed per Internal Revenue Code section 2518

Must be irrevocable, unqualified and in writing



# Internal IRA Audit Procedures

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Properly executed and filed per Internal Revenue Code section 2518

Must be irrevocable, unqualified and in writing

Must be done within the later of 9 months after the date of death,  
or age 21 (*Can be a problem for IRAs*)



**REMEMBER** – Until the qualified disclaimer is received, the beneficiary of record is subject to all the usual requirements, including required minimums and all of your reporting.



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Properly executed and filed per Internal Revenue Code section 2518

Must be irrevocable, unqualified and in writing

Must be done within the later of 9 months after the date of death,

Cannot direct who is to get his/her share







# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Properly executed and filed per Internal Revenue Code section 2518

Must be irrevocable, unqualified and in writing

Must be done within the later of 9 months after the date of death,

Cannot direct who is to get his/her share

Can disclaim just part of the IRA



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Properly executed and filed per Internal Revenue Code section 2518

Must be irrevocable, unqualified and in writing

Must be done within the later of 9 months after the date of death,

Cannot direct who is to get his/her share

Can disclaim just part of the IRA

Retain copy in IRA File





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Hold Harmless Agreements

Make sure your financial institution's legal counsel approves

Retain copy in IRA File



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Hold Harmless Agreements

State Escheat Laws

Must abide by your state's law

There is no IRS equivalent

There is no formal IRS procedure

Before sending any IRA assets to the state, be sure you have done due diligence to find the missing IRA accountholder/beneficiary

Should include the SSA and/or IRS Letter Forwarding Programs

Other Methods to locate individuals


Distribution to the state is reported in the name and TIN of the state

Per the unofficial opinion of IRS official

Distribution must be reported !

Only other option would be in the name and SSN of the individual





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Hold Harmless Agreements

State Escheat Laws

Retention of Records





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Hold Harmless Agreements

State Escheat Laws

Retention of Records

IRS has no official requirement

There is no statute of limitations on IRA errors however





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Hold Harmless Agreements

State Escheat Laws

Retention of Records

IRS has no official requirement

There is no statute of limitations on IRA errors however

IRS Publication 552, Record keeping for Individuals, indicates an IRA

Accountholder should keep Form 5498 and Form 1099-R until all distributions  
are made from the IRA





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Hold Harmless Agreements

State Escheat Laws

Retention of Records

IRS has no official requirement

Decide on retention to comply with state and banking laws





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Hold Harmless Agreements

State Escheat Laws

Retention of Records

IRS has no official requirement

Decide on retention to comply with state and banking laws

You have fiduciary responsibilities

Even with a custodial account IRA





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

- Power of Attorney

- Guardianship

- Qualified Beneficiary Disclaimer

- Hold Harmless Agreements

- State Escheat Laws

- Retention of Records

  - IRS has no official requirement

  - Decide on retention to comply with state and banking laws

    - You have fiduciary responsibilities

    - The IRA is a contract so contract law enters into the decision





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

- Power of Attorney

- Guardianship

- Qualified Beneficiary Disclaimer

- Hold Harmless Agreements

- State Escheat Laws

- Retention of Records

  - IRS has no official requirement

  - Decide on retention to comply with state and banking laws

    - You have fiduciary responsibilities

    - The IRA is a contract so contract law enters into the decision

    - IRS and State reporting duties must be complied with

      - You must be able to prove you have complied with them





# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

- Power of Attorney

- Guardianship

- Qualified Beneficiary Disclaimer

- Hold Harmless Agreements

- State Escheat Laws

- Retention of Records

  - IRS has no official requirement

  - Decide on retention to comply with state and banking laws

    - You have fiduciary responsibilities

    - The IRA is a contract so contract law enters into the decision

    - IRS and State reporting duties must be complied with

      - You must be able to prove you have complied with them

      - IRS regularly reviews three years from the date of filing

        - Retaining four years is a minimum standard



# *Internal IRA Audit Procedures*

## Primary Areas of Concern

### Miscellaneous Administrative Forms/Topics

Power of Attorney

Guardianship

Qualified Beneficiary Disclaimer

Hold Harmless Agreements

State Escheat Laws

Retention of Records

IRS has no official requirement

Decide on retention to comply with state and banking laws

You have fiduciary responsibilities

The IRA is a contract so contract law enters into the decision

IRS and State reporting duties must be complied with

Paper copies vs. Electronic copies

Electronic copies should always be retained

Ensure that the Electronic copies are also stored with your  
offsite backups





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CWF Recommendations for paper copies



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IRA Plan Agreements, Disclosures and Amendments

Retain all paper copies – comprises the contract



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IRA Plan Agreements, Disclosures and Amendments

Beneficiary Designations

Retain all paper copies through the close of the account by the beneficiary

Check with state law for retention after the account is closed







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- Retention of Records

  - CWF Recommendations for paper copies

    - IRA Plan Agreements, Disclosures and Amendments

    - Beneficiary Designations

    - Contribution, Distribution and Withholding documents

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Contribution, Distribution and Withholding documents

Investment documentation



Remember, as the IRA custodian/trustee , you must be prepared to give a full and complete accounting of the IRA to the IRA accountholder/beneficiary, and be able to prove its completeness and accuracy.

# *Internal IRA Audit Procedures*

This concludes this Webinar.

We thank you for attending.

If you have any questions regarding the subject covered in this Webinar please feel free

to call us at **800.346.3961**

or send an e-mail to [info@pension-specialists.com](mailto:info@pension-specialists.com)

or visit us on the Internet at

**[www.pension-specialists.com](http://www.pension-specialists.com)**

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