

# Legacy Advisor

Fall 2004 Issue No. 04-3

## BENEFIT PLANS

### Understanding Your Plan's Fees



Plan fiduciaries must select investment options and service providers and monitor the performance of both on an ongoing basis. In order to meet their responsibility, fiduciaries need to understand

what services are being provided and the related fees being charged. The cost to the plan must be considered when making initial decisions. Fees must be continually monitored to ensure they are reasonable.

There is currently some question as to whether plan fiduciaries fully understand "bundled" fee arrangements with mutual fund companies and other providers. Plan sponsors are often unaware of what exactly the plan is paying for. Plan services include plan administration, investment services, and participant education. Fee arrangements for these services can vary greatly, which can make them difficult to evaluate. To that end, the DOL has made a worksheet available that can be used by plans to help determine the total cost to the plan. The form, which is posted on the DOL website at [www.dol.gov/ebsa/pdf/401kfebm.pdf](http://www.dol.gov/ebsa/pdf/401kfebm.pdf), makes it easy to compare the investment fees and

administrative costs of providers of plan services.

In addition to the above, the following are a few things to consider when evaluating plan service fees:

- **specific services needed;**
- **services being provided;**
- **total fees charged, including fees charged directly to the plan and those deducted from investment returns;**
- **services covered under the base fee and extra charges for other services; and**
- **restrictions on service arrangements.**

As part of its outreach program, the DOL has issued a publication titled *Understanding Retirement Plan Fees and Expenses* (see DOL Fiduciary Education Initiative on page 2).

Fees and expenses can have a significant impact on the plan and its participants. There are costs associated with all plan services and they are a necessary expense. However, the challenge of the plan fiduciary is to ensure that the fees being charged are reasonable for the services being provided.

As discussed in Issue 04-2 of Legacy Advisor (which is posted on our website), fiduciaries must

*continued on page 4*

### Legacy News

It's been a great year for the Employee Benefits Group at Legacy Professionals LLP. We are busy getting ready for the International Foundation of Employee Benefit Plans Annual Conference scheduled for September 19-22 in New Orleans, Louisiana. We will once again be exhibiting at the conference trade show and will have several partners speaking and moderating at various educational sessions throughout the week. See page 3 for further details.

The DOL has also been busy focusing its attention on fiduciary responsibilities and has recently come out with some useful information. We report on a number of these hot topics in this issue. Please let us know if you have questions or need any additional information on any of the topics we cover. Also, if there are other subjects you would like covered in future issues, please send us an e-mail with your request to [info@legacypas.com](mailto:info@legacypas.com) or give us a call at 866-DIAL-LEGACY.

This issue was edited by Legacy Partner Larry Wojnarowicz, CPA. Larry is based out of our Munster, Indiana office and can be reached at [lwojnarowicz@legacypas.com](mailto:lwojnarowicz@legacypas.com).

We sincerely thank you for your continued support of the Firm. Please do not hesitate to contact us at any time if you need anything or if you have any feedback or suggestions for us.

— *The partners and staff of Legacy Professionals LLP*

### On the Inside...

DOL Fiduciary Education Initiative  
The Benefits of a Claims Audit  
IFEFP Update

2  
2  
3

**LEGACY**  
PROFESSIONALS LLP  
CERTIFIED PUBLIC ACCOUNTANTS

The perfect balance of commitment and experience.

## DOL Fiduciary Education Initiative

In an effort to educate plan sponsors and other fiduciaries of their responsibilities to workers and retirees, the Department of Labor's (DOL) Employee Benefits Security Administration has launched a fiduciary education campaign, *Getting It Right – Know Your Fiduciary Responsibilities*. The purpose of the initiative is to provide plan fiduciaries with an understanding of the rules and regulations to better enable them to meet their responsibilities. The program's focus is to assist fiduciaries to avoid the most common problems the DOL encounters in its enforcement activities.

The campaign includes educational seminars to be held at various locations, which are listed on the DOL website. In addition, the DOL has released four publications as part of this program:

*Meeting Your Fiduciary Responsibility* provides an overview of basic fiduciary responsibilities applicable to retirement plans. A simplified explanation of Employee Retirement Income Security Act (ERISA) laws and regulations is included.

*Understanding Retirement Plan Fees and Expenses* helps plan sponsors and other fiduciaries better understand and evaluate plan fees and expenses. While the focus of the

publication is on participant-directed plans, such as 401(k) plans, sections of it apply to all types of retirement plans.

*Selecting an Auditor for Your Employee Benefit Plan* includes considerations for selecting an auditor and information about the audit work and audit report. Benefit plans with 100 or more participants are required to have an annual audit.

*Reporting and Disclosure Guide for Employee Benefit Plans* is a quick reference guide for certain basic reporting and disclosure requirements under ERISA. The most common disclosures required to be provided to participants and beneficiaries by pension and welfare funds, an overview of PBGC reporting and disclosure requirements, and Forms 5500 and M-1 requirements are included.

Information on upcoming seminars and the publications are available on the DOL's website [www.dol.gov/ebsa/fiduciaryeducation.html](http://www.dol.gov/ebsa/fiduciaryeducation.html). Please contact us if you have any questions.

By Charles A. Marini, CPA, Minnesota office  
[cmarini@legacypas.com](mailto:cmarini@legacypas.com)

---

## The Benefits of a Claims Audit



Health claims are generally the largest expense for any self-funded health and welfare plan. It is also likely to be the account with the highest volume of transactions. These factors add up to an increased potential for error or fraud that warrants careful attention.

Whether claims are processed in house or outsourced to a third party administrator, trustees of a fund have the responsibility of ensuring that claims are paid only to eligible participants in a manner consistent with the plan's schedule of benefits. This is essential to protecting the assets of the plan as well as the rights of participants.

Claims audits are gaining increased attention due, in part, to the escalating costs of providing health and medical benefits. They're an effective tool for identifying processing errors as well as a potential deterrent to fraudulent claims.

While no two audits are exactly the same, an auditor's first step is to become thoroughly familiar with the fund's claims processing system, which includes understanding and evaluating the effectiveness of internal control procedures designed to prevent and/or detect errors and fraud. A representative sample of claims paid is selected for testing, which includes procedures designed to determine if benefits were paid in accordance with the plan's documents.

Claims audits can detect systemic processing errors before they cost the fund significant, unrecoverable dollars, can

*continued on page 4*

## IFEBP Update

### Legacy to Exhibit at the IFEBP Annual Conference September 19-22 in New Orleans

Legacy Professionals LLP will be exhibiting at the International Foundation's 50th Annual Employee Benefits Conference September 19-22 at the Morial Convention Center in New Orleans, Louisiana. Please stop by booth #935 to enter our drawing and say hello to Partners Bob Tiberi, Bruce Pavlik, Jim Giemzik, Larry Wojnarowicz, and Marketing Director, Julie Tucek. This year's grand prize at the Legacy booth is a \$250

airline gift certificate to be given away on Monday afternoon at the trade show. We'll also have some new Legacy giveaways for our booth visitors. We look forward to seeing you in New Orleans!



### Three Legacy Partners to Speak at Annual Conference



Jim Giemzik, CPA

Bruce Pavlik, CPA

Larry Wojnarowicz, CPA

Legacy Partner Bruce Pavlik, of the Chicago office, and Virginia C. Smith, Director of Enforcement for the Employee Benefits Security Administration (EBSA), U.S. Department of Labor in Washington, D.C., will be speaking at the session, "Department of Labor Update," where they will provide information and clarification on recent initiatives including: claims review, voluntary claims, remittance reporting deadlines, and more. This session will be held on Monday, September 20 at 11:00 a.m. and Tuesday, September 21 at 9:45 a.m.

Jim Giemzik, also a Legacy Chicago office Partner, will be teaming up with Hemming Morse Partner Alexander Miller for the second year in a row. Jim and Alex will be speaking at a session called "Employer Payroll Audits." They will cover the key elements to a payroll audit program, issues regarding "random" audits, the procedures for finalizing the audit, steps that can be

taken to collect when the employer contests the audit, and how to handle situations when incomplete payroll records are produced. This session will be held Tuesday, September 21 at 2:00 p.m. and Wednesday, September 22 at 9:30 a.m. Jim will also be moderating at the session, "Best Practices Series -- Payroll Auditing" where Bond Beebe Partner, Larry Beebe, will cover sample payroll audit programs and discuss recent challenges and unique situations with payroll audits. This session will take place Monday, September 20 at 9:30 a.m.

Larry Wojnarowicz, an Indiana office Partner, will be speaking on "Health Care Fraud and Its Impact on Today's Costs." Also speaking with Larry are: George R. Laufenberg, CEBS, Administrative Manager for the New Jersey Carpenters Funds, of Edison, New Jersey, and William J. Mahon, President of Mahon Consulting in Washington, D.C. In the session, they will define both fraud and abuse and discuss the most common tactics under each; eligibility vs. claims; how fraud is discovered; and "red flags" to look out for. They will also discuss what can be done to minimize a fund's vulnerability, internal controls, and fraud prevention techniques for small plans. The session will be held Tuesday, September 21 at 11:15 a.m. and Wednesday, September 22 at 8:00 a.m.

### Other IFEBP News

Legacy Partner, Bruce Pavlik, is serving the third year of his three-year term on the IFEBP's Board of Directors. Bruce is also a member of the IFEBP Financial Review Committee.

## Understanding Your Plan's Fees

*continued from page 1*

review mutual fund investments with respect to reported and potential late trading and market-timing abuses. The DOL continues to look at the mutual fund industry as a result of industry abuses. The next area of focus will most likely be fees charged by mutual funds to defined contribution plans. As it is available, we

will report on additional guidance and how it relates to your fiduciary responsibility.

Please contact us if you need clarification or if you have questions.

*By Donna A. Hubert, CPA, Chicago office  
dhubert@legacycpas.com*

*This publication is distributed with the understanding that the author(s), publisher and distributor are not rendering legal, accounting or other professional advice or opinions on specific facts or matters, as each individual circumstance is unique. All articles are for the exclusive and private use of our clients, prospects, and business associates. With prior approval, articles may be reprinted with proper attribution. ©Legacy Professionals LLP*

## The Benefits of a Claims Audit

*continued from page 2*

provide informed recommendations for improving and streamlining internal controls and administrative efficiency, and can assist fund management in the detection and prevention of fraud.

Contact us if you are interested in talking more about a claims audit program for your fund.

*By Louise M. King, CPA, Munster office  
lking@legacycpas.com*

Contact us at  
info@legacycpas.com  
if you'd like to receive  
Legacy Advisor via our  
email delivery program.

