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# IRS Announces ‘Pre-Audit’ Retirement Plan Pilot Program

The IRS will determine whether to issue a closing letter or to conduct a limited or full scope audit



by **Dannae Delano** · June 7, 2022 · ⌚ 2 minute read



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Last week, the IRS announced a new pre-audit compliance opportunity for

employer-sponsored retirement plans selected for audit.

Under the Pilot Program, the IRS will send an initial letter to plan sponsors whose retirement plans are selected for upcoming audits. This letter will explain that the plan has been identified for audit. The sponsor then has 90 days to identify and voluntarily correct any compliance issues with the plan and notify the IRS of the corrective actions taken.

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“Plan sponsors that receive an initial letter should immediately contact their retirement plan advisors ...”

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This is a welcome departure from the long-time voluntary correction principle that allowed voluntary correction only until the IRS had identified the plan for audit. The IRS will evaluate whether to continue the program and/or include it in its EPCRS program at the end of the pilot program (which wasn't disclosed).

The program provides some powerful incentives to encourage plan sponsors to voluntarily comply in the 90 days following receipt of the initial letter.

### **Powerful incentives**

The first is a reduction in the sanctions involved in the audit process. Traditionally, sanctions for compliance issues discovered in a retirement plan

audit were calculated under the IRS's Audit CAP program. It considers the failure's nature, extent, and severity based on a percentage of plan assets, which can be extremely expensive even for a small plan covering a limited number of employees.

Under the announcement, if a plan sponsor responds to the initial audit letter with compliance items it has identified and the fixes it has implemented, the

IRS will not assess sanctions for failures eligible for self-correction and will assess sanctions for corrections made in accordance with its published Voluntary Correction Program based on the user fees applicable to that program (which currently max out at \$3,500, a figure significantly lower than most Audit CAP sanction fees).

The announcement also indicates that if a plan sponsor responds to the initial letter, the IRS will determine whether to issue a closing letter or to conduct a limited or full scope audit. How it will make that determination has not been disclosed, but it appears that plan sponsors may have some ability to limit an impending audit or avoid an audit entirely by responding to the initial letter in a way that demonstrates full compliance.

Plan sponsors that receive an initial letter should immediately contact their retirement plan advisors to begin identifying compliance failures, taking any appropriate corrective actions, and preparing a summary of the compliance issues and corrections made for the IRS.

In addition, operational and plan document errors discovered by a plan sponsor should receive priority for timely correction to ensure any compliance issue can be resolved within 90 days of receiving an initial letter.

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*Employment Law, Labor and Human Resources, Employee Benefits, Welfare Benefits, Privacy & Security, Corporate Law, Tax, Estate Planning and Administration, and Litigation. Marcia Wagner can be reached at [marcia@wagnerlawgroup.com](mailto:marcia@wagnerlawgroup.com).*

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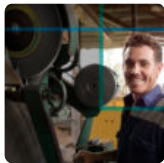


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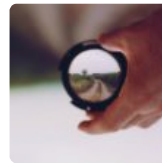


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# Investnet Streamlines Divisions to Spur Financial Wellness Growth



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## New divisions will be split between wealth and asset management solutions, data and analytics and tech solutions

by **Lynn Brackpool Giles** · June 7, 2022 · ⌚ 2 minute read

Image credit: © Alexandersikov | Dreamstime.com

**Envestnet** has announced a series of organizational changes to accelerate the

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growth of its financial wellness “ecosystem.” The Berwyn, Pa.-based firm is streamlining its business into three lines: Investnet Solutions, Investnet Data and Analytics and Investnet WealthTech. According to the announcement, the move is designed to enable the financial wellness-technology company to better deliver solutions for its clients.

“This new structure marks a pivotal moment for Investnet and sets the direction and pace of our company for the next decade of growth,” said Bill Crager, Co-Founder and CEO, Investnet.

The new structure brings a realignment of Investnet’s business priorities:

- Investnet Solutions will provide wealth and asset management solutions across the company including research, overlay, portfolio management, direct indexing, sustainable investing and retirement services. The division will also partner with Investnet exchanges and other wealth solutions providers.
- Investnet Data and Analytics combines the elements of Yodlee, Investnet Analytics, Investnet Abe.ai and will serve as a foundation for deploying insights and intelligence for its business lines and segments.
- Investnet WealthTech will be the backbone to the wealth technology solutions and platforms that service Investnet’s advisory segments.

Further leadership changes were also announced:

- Dana D’Auria has been named Group President and Co–Chief Investment Officer, Envestnet Solutions.
- Farouk Ferchichi has been named Group President, Envestnet Data and Analytics.
- Tony Leal has been named Group President, Envestnet WealthTech.

Additionally, Tom Sipp will serve as Envestnet’s Executive Vice President, Business Lines to provide additional leadership and structure to “meet the evolving needs of advisors, banks, FinTechs, and their clients through data and wealth solutions.”

The reorganization also includes the departure of the company’s president, Stuart DePina, who had been with the company since 2012 when his former firm was acquired by Envestnet. DePina will remain an advisor after his departure at the end of June.

“Aligning our business lines in this way allows us to better innovate and integrate our data intelligence, technology, and solutions for customers,” added Crager. Over 107,000 advisors and more than 6,500 companies—including 18 of the 20 largest U.S. banks, 47 of the 50 largest wealth management and brokerage firms, over 500 of the largest RIAs, and hundreds of FinTech companies—utilize Envestnet technology and services.

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Lynn Brackpool Giles is a contributing editor to 401(k) Specialist. Giles is a former Managing Director of Communications and Consumer Services for the Financial Planning Association (FPA), where she oversaw all corporate, legislative, and consumer communications. In her current journalistic practice, she is a frequent contributor to numerous financial services industry publications.

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