



Workforce  
Solutions

# ACA Audit Preparedness

Best Practices



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## Best Practices

Navigating the complexities of the Affordable Care Act (ACA) can be challenging, and the prospect of an IRS audit can add to the stress. However, with preparation and a better understanding of ACA regulations, you can help reduce your organization's risk and better ensure a smoother audit experience.

1

### Documentation: The Foundation

The cornerstone of ACA audit preparedness lies in thorough documentation. The IRS will meticulously examine your organization's health insurance offerings and employee eligibility. Therefore, maintaining accurate and organized records is essential.

#### **Your document should encompass;**

##### **ACA Benefit Eligibility Determination:**

Detail the methods used (monthly or look-back), measurement periods, and how you categorize employees under different measurement rules.

##### **Health Plan Documents:**

Clearly outline the benefits offered, confirming that plans meet minimum essential coverage and minimum value requirements, and detailing the affordability method utilized.

##### **Affordability Calculations:**

Document the cost of the lowest-cost plan, employee premium contributions, and how you group employees for affordability assessments.

##### **Offer of Coverage:**

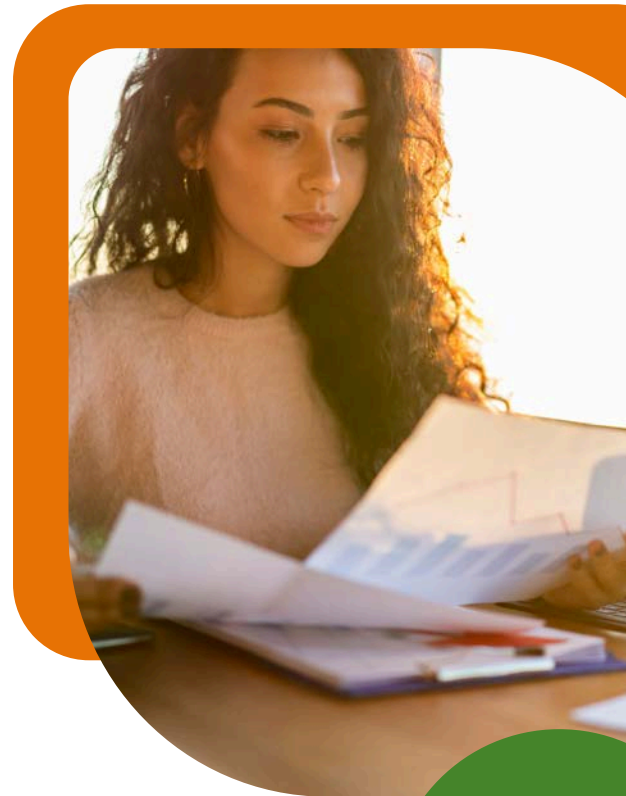
Keep records of enrollment materials, distribution procedures, and all employee communications related to coverage offers.

##### **Employee Benefit Eligibility Results:**

Maintain records of hours of service, enrollment decisions, waivers of coverage, and pay data used for affordability calculations.

##### **Historical Forms:**

Retain copies of all previously filed Forms 1094 and 1095.



## 2

### Review: A Proactive Approach to Risk Assessment

Conducting a comprehensive review of your ACA processes is crucial for helping identify potential areas of vulnerability.

**This review should encompass;**

**Eligibility Determination:**

Verify the accuracy of your employee classifications, eligibility decisions, and offer of coverage procedures.

**Affordability Safe Harbors:**

Ensure you're correctly applying affordability safe harbors based on federal poverty level, rate of pay, or W2 calculations.

**Data consistency:**

Check for discrepancies between payroll data, employee records, and ACA reporting.

**Plan Documents:**

Confirm that your plan documents align with actual administrative practices.

**Prior IRS Filings:**

Assess your IRS filings from prior years for any potential ACA penalty risks, including missing safe harbor codes and invalid code combinations; prepare and file corrected forms to the IRS if needed.



### 3

## Consult: Leverage Expertise for Better Informed Decision-Making

Seeking guidance from ACA experts, including legal counsel and benefits advisors, can provide invaluable insights and help you navigate complex ACA issues.

**These professionals can;**

**Assess Your Current Practices:**

Help identify potential gaps and recommend corrective actions.

**Interpret Regulations:**

Help clarify complex ACA provisions and better ensure accurate application.

**Develop Strategies:**

Help you improve your ACA process and offer more cost-effective health benefits programs.

**Support Your Interests:**

Provide expertise and support in the event of an audit or penalty dispute.

### 4

## Respond: Timely Action is Key

If you receive an IRS penalty notice, it's crucial to respond promptly and within the specified timeframe. Ignoring or delaying your response can lead to escalated penalties and complications.

**Your response should;**

**Acknowledge Receipt:**

Clearly state that you've received the notice and are reviewing it.

**Request Extension**

If Needed: Contact the IRS promptly to request additional time to respond if needed.

**Provide Requested Information:**

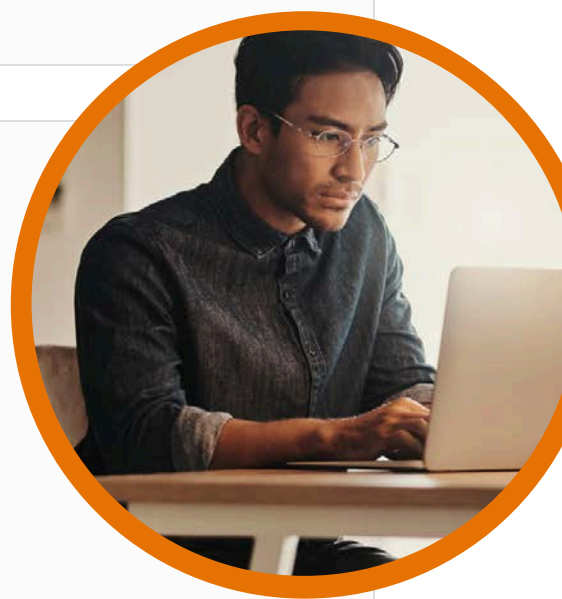
Gather necessary documentation to help support your position.

**Explain Discrepancies:**

If you disagree with the penalty, clearly articulate your reasoning and provide evidence.

**Seek Professional Advice:**

Consult with your legal or tax advisor to help ensure an appropriate and effective response.





## 5

### Appeal: Exercise Your Right to Dispute (If Necessary)

If you believe the IRS penalties are unjustified or erroneous, you may have the right to appeal. The appeals process allows you to present your case and potentially have penalties reduced or waived. To initiate an appeal:

#### **Your response should;**

##### **Follow IRS Procedures:**

Adhere to the specific instructions outlined in the penalty notice.

##### **Submit A Written Protest:**

Clearly state your grounds for appeal and provide supporting documentation.

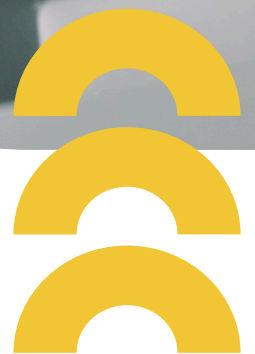
##### **Consider Professional Representation:**

Engaging an experienced tax professional can help strengthen your appeal.

### Help Simplify ACA Management with Equifax Workforce Solutions

Preparedness is your best defense in the face of an ACA audit. Beyond understanding the steps for ACA audit preparedness, having the right tools and support can help make a significant impact. [ACA HQ™](#) from Equifax can help you streamline your ACA management efforts from more accurate data collection and reporting to expert ACA insights and audit support.

Contact us to learn more about ACA HQ and how to get an in-depth risk assessment on your current ACA process. We can also help you review and address potential ACA penalty risks in your IRS filings from prior years utilizing our ACA Inspect service.



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