

COBRA Audit Preparation Checklist

Employers with plans subject to COBRA, their insurers, TPAs, or other COBRA administrators should take the following steps to be prepared in the event of an IRS audit:

1. Have the mandatory documentation in order:

- ☐ Your COBRA procedures manual
- ☐ Standard COBRA letters sent to qualified beneficiaries
- ☐ Your internal audit procedures for ensuring that COBRA is being properly implemented
- ☐ Copies of all healthcare plan documents
- ☐ Details about any past or pending lawsuits filed alleging failure to provide appropriate COBRA coverage

2. Prepare other documentation that might be requested:

- ☐ Federal and state employment tax returns filed during the period of examination and the preceding year to show changes in the number of employees on the payroll between the two years
- ☐ Lists of all individuals affected by a qualifying event (e.g., terminations, lay-offs, etc.)
- ☐ Lists of all individuals covered during the current and preceding years for each healthcare plan
- ☐ Personnel records to determine whether qualified beneficiaries were notified of their COBRA rights

3. Review for accuracy and completeness how COBRA coverage is described in your plan document(s) and summary plan description(s).

4. Review all written policies and procedures to see if they qualify as a “COBRA procedures manual,” and if not, take the necessary steps to make them complete enough to qualify.

5. Review and assess the training program for employees who administer COBRA.

6. Review and revise any applicable COBRA administrative services agreement to ensure that the responsibilities are appropriately allocated, are adequate to pass muster under the expanded Guidelines, and appropriately address indemnification issues.