



401(k) Audit Checklist

Every year it is important that you review the requirements for operating your 401(k) retirement plan. This checklist should be used to help you keep your plan in compliance with many of the important rules; however, it is not a complete description of all plan requirements, and should not be used as a substitute for a complete plan review. Here are a few questions to help you ascertain whether or not your 401(k) plan is in compliance:

1. Has your plan document been updated within the past few years?

If your plan has not been updated to reflect recent law changes, the plan needs to be revised.

Yes No

2. Are the plan's operations based on the terms of the plan document?

Failure to follow the terms of the plan is a common problem encountered during an audit.

Yes No

3. Were employer matching contributions made to all appropriate employees under the terms of the plan?

The terms of the plan must be followed when allocating employer matching contributions.

Yes No

4. Has the plan satisfied the 401(k) nondiscrimination tests (ADP and ACP)?

Every 401(k) plan must satisfy yearly ADP/ACP nondiscrimination tests except for certain auto enrollment and 401(k) safe harbor plans.

Yes No

5. Were all eligible employees identified and given the opportunity to make an elective deferral election?

By supplying your tax advisor with information regarding all employees who receive a Form W-2, you may reduce the risk of omitting eligible employees.

Yes No

6. Have you timely deposited employee elective deferrals?

You should deposit deferrals as soon as they can be segregated from the employer's assets.

Yes No

7. Do participant loans conform to the requirements of the plan document and IRC §72(p)?

Defaulted loans or loans in violation of IRC §72(p) may be treated as a taxable distribution to the participant.

Yes No

If you answered "no" to any of the above questions, you may have made a mistake in the operation of your 401(k) plan. This checklist is only a guide to a more compliant plan, so answering "yes" to each question may not mean your plan is 100% compliant. Many mistakes can be corrected easily, without penalty and without notifying the IRS.

If you would like to discuss any of these issues further, please contact Paul McGovern at pmcgovern@downeycocpa.com.

Please visit our website at www.downeycocpa.com.