



Who Needs an Audit?

Under ERISA (The Employee Retirement Income Security Act of 1974), the general rule is that a 401(k) plan with 100 or more participants at the beginning of the plan year is required to have an audit by an independent qualified public accountant. This is known as the “80-120 Rule.”

A participant in a plan includes any individual who is eligible to participate in the plan whether or not the individual elects to contribute or has an account under the plan.

If an audit is required, the entire audit report gets attached to the Form 5500 filing using the Department of Labor’s (DOL’s) ERISA Filing Acceptance System (EFAST2) filing system located at www.efast.dol.gov. Registration with the EFAST2 system must be completed prior to filing. It is strongly suggested that registration on the EFAST 2 system be done early. There is additional filing information available on the above mentioned website.

For plan years beginning on or after January 1, 2009, the Form 5500 and its schedules must be filed electronically using the EFAST2 system. 401(k) plans generally allow for tax deductions for plan sponsors for contributions, deferment of income to participants until the benefits are distributed, exemption of the plan from income taxes, and favorable treatment of benefit distributions to participants.

For more information on this topic, please contact Paul McGovern at PMcGovern@DowneyCoCPA.com.