

## REPORTING FROM RECORDKEEPER AND/OR THIRD PARTY ADMINISTRATOR

- Request auditor access to recordkeeper platform
- If applicable request auditors' package
- Draft of the form 5500 for the plan year
- Deferral election change report or other support of participant deferral election
- Discrimination testing results and supporting detail
- Evidence of discrimination testing failure corrections processed after year-end, if applicable



## GATHER PERMANENT FILE DOCUMENTATION

- Executed plan document, adoption agreement (as applicable) and any amendments
- Summary plan description
- Current IRS determination or opinion letter for executed plan document
- Service provider contracts (investment advisors, recordkeeper, third party administrators)
- Copy of ERISA bond coverage for the plan year

## DISTRIBUTIONS AND LOANS

- To the extent supporting documentation is retained by employer, have available for auditor review (evidence of reason and amount of hardship, signed distribution form, evidence for loan in excess of 5 years)
- Access to employee file (application and other original source documents) to verify date of hire, date of birth, and Social Security number (sometimes files may be from employees terminated many years ago)

## CENSUS

- Provide census that includes Social Security number, employee name, date of birth, date of hire, date of termination, gross wages, employee contributions, and employer contributions (in Excel)
- Agree or reconcile wages, employee contributions and employer contributions per census to payroll register
- Agree or reconcile to employee and employer contributions per the recordkeeper/trust package reporting (keep in mind most recordkeeper reports are on cash basis)

## RISK ASSESSMENT

### ***Document key plan processes***

- New hires, terminations, and payroll processes
- Enrollment and eligibility
- Contributions and the process to reconcile to recordkeeper/ trust reporting and payroll registers
- Distribution and loan approval processes

## RISK ASSESSMENT (CONTINUED)

### Document key fiduciary processes

- Minutes as they pertain to the Plan for the plan year through issuance
- Review of SOC 1 for payroll provider and recordkeeper
- Documentation of approval and monitoring of service providers and fees
- Required communications distributed (Summary Annual Report, participant fee disclosure)
- Participant education
- Review of investments including Qualified Default Investment Alternative (QDIA)

## INITIAL AUDITS

*Special Note:* If this is the first year your Plan requires an audit, procedures will also be performed on the 2 prior years. As a result, you may need to gather recordkeeper and payroll reporting from 2 years prior, in addition to the audit year.

## TOP AUDIT FINDINGS

*Not reviewing the plan's definition of compensation and comparing it to payroll settings. It is common to find missed deferrals on the following types of pay:*

- Bonus
- Commission
- Pay out of unused vacation or sick time
- Final check (excluding severance pay)
- Check processed manually (outside of payroll system)

*Not depositing participant deferrals and loan payments in a timely manner*

- Participant deferrals and loan payments must be transferred out of the company's cash account as soon as it is administratively feasible for deposit at the plan/trust.
- Consistency is key – it is better to always remit in 3 days versus periodically remitting in 1 day
- Make sure there is a back-up person that can remit if the administrator is out or on vacation

*Not following plan document provisions for benefit payments*

- Must follow “force out” provisions of plan document (distributing balances under a certain threshold)
- Monitor listing of “lost” participants and make effort to track those participants down periodically
- Ensure required minimum distributions (RMD's) are processed timely

If you have questions about this checklist or would like more information regarding the how to prepare for a 401(k) audit, please contact Lisa Carrick at [lcarrick@windes.com](mailto:lcarrick@windes.com) or (562) 435-1191.