

Typical Information Requested in a 401(k) Plan Audit

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Listed below are the items typically requested in an initial letter sent by the Internal Revenue Service or the Department of Labor in connection with a 401(k) plan audit. These items should be maintained and be readily accessible by the plan administrator at all times the plan is in operation.

By Both IRS and DOL:

- Plan document (including adoption agreement and prototype document), trust agreement, and all amendments.
- Copy of the most recent determination letter, other determination letters that apply to the years under examination.
- Copies of Forms 5500 and 5500-C, Annual Return/Report of Employee Benefit Plan, for the plan and any other pension plans sponsored during each year under examination; copies of all schedules, including Schedules A, B and SSA, if applicable; all applicable attachments, including the accountant's opinion, management letters, financial statements, and notes to the financial statements.
- Current fidelity bonds and riders/endorsements.
- Trustee's or administrator's reports, ledgers, journals; trustee, administrative committee, and investment committee minutes; investment analyses; certified audits; other financial reports such as receipt and disbursement statements, income and expense statements and balance sheets.

By IRS:

- Copies of Forms 5500 or 5500-C, Annual Return/Report of Employee Benefit Plan, for the year subsequent to the years under examination.
- Copies of Forms 1120, U.S. Corporation Income Tax Return; corporate minutes about activities or transactions with the plan and trust; copies of the Forms 7004, Extension to File, for the years under examination.
- Copies of the trust's or employer's Forms W-2P, Statement for Recipients of Periodic Annuities, Pensions, Retired Pay, or IRA payments; copies of the trust's Forms 1099-R, Statement for Recipients of Total Distributions from Profit-Sharing, Retirement Plans and Individual Retirement Arrangement, for the years under examination.

- Canceled checks verifying contributions for the years under examination.
- Schedules demonstrating whether the plan meets the ADP test and ACP test.
- Copy of the employee census, if any, specifying employees' date of birth, date of hire, date of termination and annual compensation.
- Payroll records used to determine employees' eligibility in the plan for the years under examination (including time cards, personnel records and employment contracts); copies of the Forms 940, Employer's Annual Federal Unemployment Tax Return, Forms 941, Employer's Quarterly Federal Tax Return, and Forms W-2, Wage and Tax Statement, that were filed for the years under examination.
- Participant allocation schedules.
- Copies of spousal consent statements for beneficiary designations and, if the plan is subject to the joint and survivor annuity rules, distribution form elections for each participant that took a distribution in the years under examination.

By DOL:

- Summary plan description.
- Summary annual reports.
- Current fiduciary insurance policy, if any.
- List of plan managers and service providers together with contracts and agreements.
- Plan's correspondence files.
- Most recent account statements for participants and beneficiaries.
- Documents which show employee contributions due and made to the 401(k) plan for each payroll from the date of establishment to present, including payroll summary or register showing all employee contributions (payroll deductions for each pay period) for the plan and evidence of receipt of these monies by the plan's trust. Acceptable evidence could be bank statements, canceled checks (front and back), or evidence of a wire transfer; if employee contributions to the plan have been 30 days or more in arrears any time since the plan's inception, a schedule or documentation of the delinquent contributions and actions undertaken to correct this problem.
- Investment policy statement.
- For all loans, including those secured by mortgages, made, held, or acquired by the plan: promissory note, loan application, mortgage; amortization/repayment schedule; identification of collateral, if any, together with all applicable recorded documents (filings, trust deeds, etc.);

documents showing date of acquisition by plan (for any loans/mortgages not originated by plan); from whom acquired and identity of originator, if different; value at acquisition; cost paid by plan.

- For all real property (including land, buildings, equipment, motor vehicles, etc.) acquired by the plan: description, including location with street address where applicable; acquisition date and from whom acquired; value at acquisition and current value; information on debt financing, including amount financed, current balance or date paid in full, identify of lender, interest rate, payment terms, due dates, etc.; use, if any, made of property and by whom; sources and amounts of income on any income producing property; and disposition date, if applicable, and details of disposition, including identity of purchaser and relationship to plan, terms of sale, value received, financing, etc.
- Supporting documents for all other real estate investments, including: limited and/or general partnerships, real estate investment trusts (REITs), etc.

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