

Annual 401(k) Audit

Does your plan qualify?

SMALL PLAN

A plan is considered a small plan if it had less than 100 participants at the beginning of the plan year (subject to the 80-120 rule). Generally, a small 401(k) plan is eligible for a waiver of the annual audit that is required for large plans. Small plans file a Form 5500-SF, which is a condensed version of the Form 5500.

What is the 80-120 Rule?

Under the 80-120 rule, if a plan has between 80 and 120 participants as of the beginning of the plan year, it can file the same category of Form 5500 it filed the year before. This rule will allow a plan that filed as a small plan the prior year to keep filing as a small plan and avoid the audit requirement indefinitely until the plan exceeds 120 participants at the beginning of a plan year.

LARGE PLAN

A plan is considered a large plan if it had 100 participants or more at the beginning of the plan year (subject to the 80-120 rule). A large 401(k) plan must have an audit performed by an independent qualified public accountant. Large plans file a Form 5500 with a Schedule H and an accountant's opinion.

Who qualifies as a participant?

A participant, for purposes of determining participant count at the beginning of the plan year, is an employee who meets one of these criteria:

- Has active status and is eligible on or before the first day of the plan year.
- Terminated on or before the first day of the plan year and has a vested balance greater than zero as of the beginning of plan year.
- Retired, deceased, or disabled on or before the first day of the plan year and has a balance greater than zero as of beginning of plan year.

DOES YOUR PLAN REQUIRE AN AUDIT?

Form Filed Previous Plan Year	Number of Participants at Start of Current Plan Year	Audit Required Current Plan Year?
N/A (First year plan)	1-99	No
	100 or more	Yes
5500 with Schedule H and accountant's opinion	1-99	No
	100 or more	Yes
5500-SF	1-119	No
	120 or more	Yes

Contact us to learn how we can help you with your 401(k) plan audit.

800-345-6363

ascensus.com

Ascensus® and the Ascensus logo are trademarks of Ascensus, LLC.
Copyright ©2023 Ascensus, LLC. All Rights Reserved. 1174231-PAI-1174232 (04/2023)
For plan sponsor use only. Not for distribution to plan participants or the public.