

Get Ahead: 401(k) Audit Season is Approaching

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401(k) audits are a critical part of maintaining compliance and safeguarding your organization against potential risks. With 401(k) audit season approaching this spring and summer for calendar year-end plans, preparation is key. By organizing your records, reviewing internal processes, and addressing any discrepancies early, you can turn what might feel like a daunting task into a smooth, efficient process that reinforces your commitment to your employees' financial security.

Here are five best practices to help you stay ahead:

Maintain Accurate Records

Keep participant data, payroll records, contribution remittances, and plan amendments organized and up-to-date. Well-documented records make the audit process efficient and provides evidence that plan activities are properly executed and aligned with required standards.

Perform Internal Reviews Before the Audit

Review plan operations and financials early. Check for discrepancies in contributions, confirm timely deposits, and verify eligibility criteria. A proactive self-assessment reduces surprises during the audit.

Collaborate with Your Auditor and Partners

Open communication with your auditor, third-party administrator (TPA), and plan advisor is key. Set timelines for data requests, respond promptly, and provide complete documentation to keep the process moving smoothly. Ensuring accurate census data is delivered timely to your TPA allows for reporting timelines to remain on track for the audit process to kick-off. Delays in the TPA's completion of year-end compliance testing often stem from inaccurate census data or missing information. These delays can create a domino effect, frequently postponing the start of the audit process.

Strengthen Internal Controls

Implement checks and balances to prevent errors—such as setting contribution limits in payroll systems and reviewing pay codes for accuracy. Regularly review processes to ensure compliance and early identification of any issues that require correction.

Address and Document Discrepancies

Should issues arise, don't worry – established correction methods are available. Maintaining thorough documentation is critical when errors require correction, and transparency coupled with prompt action helps ensure adherence to requirements.

Start early, stay organized, and communicate clearly—these steps will make your next 401(k) audit seamless.

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