

(484) 574-8782

# Torrillo & Associates

Benefit Plan Audit Specialists

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## Avoid IRS Scrutiny – Review Your Form 5500 for Errors

### Errors

Recently the Internal Revenue Service (“IRS”) posted what it finds as common Form 5500 errors and how to avoid them and IRS Scrutiny.



In many Employee Plans Compliance Unit ([EPCU](#)) projects, the IRS find mistakes when plan sponsors enter incorrect information on their Form 5500 series returns or information reports. The IRS use information

on these returns and reports to select cases for compliance checks.

Entering incorrect information on the return or report, or leaving a field blank when there should be an entry increases the likelihood that you'll be selected for an EPCU compliance check.

Examples of these types of errors on recent projects include:

1. [Plan Participants project](#) – the IRS found sponsors incorrectly entered 0 participants or left that line item blank.
2. [Excess Deferral project](#) – the IRS found filers incorrectly coded 403(b), 457 or non-qualified plan elective deferrals as 401(k) elective deferrals (box 12, code D) on their W-2, Wage and Tax Statement.
3. [Termination project](#) – the IRS found sponsors incorrectly marked their 5500 return to show they:
  - Adopted a resolution to terminate the plan when they hadn't
  - Distributed all plan assets but didn't mark the return as the final return
  - Terminated the plan when it wasn't terminated
  - Distributed all plan assets but didn't mark zero assets at the end of the plan year
4. [Fraud project](#) – the IRS found sponsors incorrectly entered the fidelity bond amount on the next line, which asks if the plan had a loss caused by fraud or dishonesty.
5. [Simplified Employee Pension \(SEP\) Plans project](#) – the

IRS found filers incorrectly reported rollover contributions as SEP contributions on their Form 5498, *IRA Contribution Information*, in box 8 instead of box 2.

6. [Hacienda project](#) – the IRS found sponsors incorrectly entered the Puerto Rico related pension feature code 3J on their 5500 return when they should have entered 3C.
7. [Frozen Plans project](#) – the IRS found sponsors entered pension feature code 1l, frozen defined benefit plan, on their 5500 return when their plan wasn't a defined benefit plan or frozen.

## Planning Tips

If you prepare the 5500 return or information report yourself, look at each line item and related instructions with fresh eyes. Don't copy line item entries from year to year without reviewing them carefully to ensure that you didn't:

- Make an entry on the wrong line item
- Put an entry in a wrong box
- Leave a line blank that needs an entry
- Use an incorrect code.

When a third party prepares your return, take time to review it and match your answers to the form's questions. Consult your benefits professional to ensure that you have administrative procedures in place to prevent mistakes on your 5500 return and information reports.

## Correction

If you find errors on a return or information report, fix these errors promptly by [amending the return](#) or filing a corrected information report. If you find errors in your plan's form or operation, fix them using our Employee Plans Compliance Resolution System ([EPCRS](#)).

## Additional resources

The IRS has many resources to help you keep your retirement

plan in compliance. Resources which can help you find and fix errors and avoid making them in the future.



- [Check-Ups](#)
- [Fixing Common Plan Mistakes](#)
- [Fix-It Guides](#)
- [A Guide to Common Qualified Plan Requirements](#)
- [“Maintaining Your Plan” Video](#)
- [What You Should Know About Your Retirement Plan](#)  
(Department of Labor)



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## Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan

audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

## Recent Articles

- [DOL Promotes New On-Line Self-Correction Program](#)
- [DOL Files Amicus Brief Supporting Use of Forfeitures to Reduce Employer Contributions](#)
- [US Department of Labor Rescinds 2022 Guidance on Cryptocurrency in 401\(k\) Plans](#)
- [DOL Issues Guidance on Missing Participants and Transfers to State Unclaimed Property Funds](#)

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