



Dear Client,

As your accountant and trusted advisor, we would like to take this opportunity to keep you informed regarding current issues that have come to light concerning 401(k) retirement plans and provide you with the tools and knowledge to better safeguard your plan's assets and understand your responsibilities as the sponsor of these benefit plans.

In recent years, as the world has transitioned to doing business electronically, the threat of hackers has become increasingly prevalent. With their ability to infiltrate secure systems, hackers have targeted 401(k) plans and, at times, proven successful in receiving fraudulent withdrawals. We urge you to reach out to your third-party administrator regarding any questions or concerns you may have about the controls and safeguards you currently have in place.

Another area that frequently raises concern and poses a particular risk to the plan sponsor is contribution timeliness. As the plan sponsor, it is your responsibility to deposit all employee contributions and loan repayments that have been withheld from employee payroll "as soon as administratively possible." Best practice for meeting the "as soon as administratively possible" requirement is to take no longer than the amount of time in which you are required to make payroll tax deposits. Persistent late deposits may trigger a plan audit by the Department of Labor or the Internal Revenue Service.

One of the most common mistakes employers make involves the definition of compensation subject to deferral, as defined by the plan documents of each 401(k) plan, and has led to the inadvertent and erroneous exclusion of salary deferrals on non-standard forms of compensation (e.g., bonuses, commissions, fringe benefits, overtime, etc.). It is crucial that you review your plan documents with your third-party administrator to ensure you have the correct understanding of what compensation must be included when calculating participants' deferrals.

As each plan is unique and complex, we recommend that you sit down with your third-party administrator at a minimum of once a year to review your plan in detail in order to help you better understand the specifics of your company's 401(k) plan. Evaluating your plan regularly will help ensure that you have the appropriate measures in place to be in compliance with plan requirements.

Please be mindful of these issues in order to protect yourself and your company's retirement plan. Do not hesitate to contact us if you have questions or comments.



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