



Not Just Right, Right for You.



Rick Wagner, JD

Rick has over 30 years of experience custom designing human resource solutions.

He has deep technical expertise in areas such as employee stock ownership plans, equity-based long-term incentive plans, deferred compensation structuring, retirement and welfare plans, and compensation benchmarking/ reasonable compensation analyses in both the for-profit and not-for-profit sectors. These skills enable Rick to help his clients pursue their strategic objectives by aligning owner and employee interests, while navigating the myriad of tax, accounting, and regulatory challenges.

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Brook Bise, CPA

Brook has 20 years of experience in accounting, consulting,

and large corporate human resource departments, primarily focused on employee benefits. Brook provides insightful consulting on all aspects of employee benefit plans, including on-site internal human resource department support, with the goal of assisting companies in ensuring their plans are both technically compliant, and are operating efficiently and effectively in support of the company's strategic objectives.

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Compliance Review Summary

A Customized HR Solutions (“CHRS”) operational compliance review engagement consists of a mock Internal Revenue Service examination. This review is intended to assist plan sponsors with their fiduciary obligation to ensure that the plan is operating in accordance with all statutory regulations as well as with the specific plan provisions. I

Compliance Reviews also incorporate a high-level review of Plan processes and procedures, including a review of third-party administrator roles and responsibilities in light of the Company’s contracts with these parties. The review covers the process to determine Plan eligibility, procedures relating to deferrals, rollovers and matching contributions, coverage, and discrimination testing, vesting and forfeitures, as well as distributions, including withdrawals and loans. We will endeavor to give our insights into “best practices” after reviewing your process and procedures.

Outlined below are procedures that may be performed and transactions which may be sampled in connection with such an engagement.

Plan Eligibility:

CHRS will:

- Make inquiries to determine how eligible employees are identified and notified. Where applicable, CHRS will also verify that any age and service limitations for participation satisfy the Internal Revenue Code of 1986 (“IRC”) and ERISA requirements.
- Select a sample of individuals from the employee population and attempt to determine whether the employees, if eligible, were offered coverage under the Plan.
- Review samples of independent contractor agreements, if any, to determine whether the contracts satisfy IRS and Department of Labor (“DOL”) guidelines for exclusion as non-employees from participation in the Plan.

Elective Salary Deferral Contributions, Rollover Contributions and Employer Matching Contributions:

CHRS will:

- Review the process of remitting contributions.
- Recalculate elective contributions for a pay period, review the compensation definition used for the contributions, determine whether the contribution was withheld on all appropriate components of compensation, determine that the salary deferral percentage is not in excess of Plan limits, and trace the contribution to the participant's Plan account. We will also determine whether the sample contributions were in excess of the IRC section 402(g) contribution limit.
- Review rollover contributions into the Plan to determine if the transaction was carried out in accordance with the Plan document and the participants' instructions.
- Recalculate matching contributions, determine that the contribution is consistent with the Plan documents, determine that the contribution was calculated properly based on the employee deferral contributions, determine that the matching contributions are not in excess of Plan limits, and trace the contribution to the participant's account.
- Determine if compensation used exceeds the compensation limit in effect on January 1 of the calendar year in which the Plan year begins.
- Make inquiries to determine if any contributions were returned to the employer and understand the reason for any return.
- Determine whether Plan benefits and contributions (other than matching contributions) are conditioned upon elective deferrals.

Coverage, Participation and Discrimination Testing:

CHRS will:

- Review the methodology used for all required coverage testing under IRC section 410(b).
- Review the discrimination testing results and methodology.

Vesting and Forfeitures:

CHRS will:

- Determine whether the appropriate vesting percentage was used to calculate the payment amount for targeted distributions.
- Determine whether forfeited amounts are treated in accordance with the Plan document.

Distributions and Withdrawals:

CHRS will:

- Review procedures to identify terminated participants and to notify participants of Plan distribution options. We will review the notification forms sent to participants, and the special tax notice regarding Plan payments.
- Identify the types of distributions made and obtain supporting documentation, if any, or make verbal inquiries to determine whether distributions were made in accordance with the Plan document, that appropriate documentation was received and maintained in the file, that the distribution was made in accordance with the employee's instructions, and that, where applicable, federal income taxes were withheld from Plan distributions and forwarded to IRS in a timely manner.
- Recalculate the distribution amount based on the terms of the Plan for a sample of distributions in a form other than a lump sum (if any),
- Obtain the documentation supporting in-service withdrawals including hardship and unforeseen emergency payments for a sample group of employees and determine whether the applicable requirements have been met.
- Obtain the documentation supporting hardship withdrawals (including rejected requests) and determine whether the requests were approved or denied in accordance with Plan provisions and IRC regulations.
- Obtain a sample of death benefits paid (if any) and supporting documentation to determine whether the death benefit payments were made in accordance with IRS, ERISA, and Plan requirements.
- Request a listing of all Plan participants age 70-½ or older (if any) and examine supporting documentation to determine whether any required minimum distribution was made in accordance with IRS requirements, the terms of the Plan, and/or participant requests. CHRS will select a sample of participants for which we will recalculate the distribution amounts.
- Assess through inquiry that the benefit appeals process is in compliance with ERISA requirements.

Participant Loans:

CHRS will:

- Determine whether participant loan procedures are consistent with the terms of the Plan document and IRC section 72(p).
- Determine, for a sample of participants, whether loans have been made in the manner and amount consistent with the participant application.
- Determine, for a sample of participants, that the appropriate loan documentation is on file.
- Determine, for a sample of participants, that repayment of loans is made consistent with the terms of the loan and loan procedures, forwarded to the Plan trust in a timely manner, and invested in accordance with the participant's current investment instructions.
- Determine, for a sample of participants, whether denied loan requests are supported with sufficient documentation explaining the reason for the denial and that the denial is permissible under the IRC and the regulations.