

# Voluntary Correction Program Applications' Best Practices

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The IRS recently issued a list of the top errors it finds in Voluntary Correction Program (**VCP**) submissions, which is available [here](#). The errors listed generally relate to issues associated with the submission of files in the correct PDF format, failing to pay the correct user fee, or the incorrect submission of the Form 8950. Filing a VCP application can be a useful method for plan sponsors to correct operational issues that have spanned numerous years or other issues for which self-correction is unavailable. Errors in the submission can delay resolution of the application or, in some cases, cause a rejection of the application. In addition to the common errors outlined by the IRS, plan sponsors should also use care to avoid the following additional common issues:

- **Failure to Submit a Comprehensive Filing.** If one operational error is found, plan sponsors should conduct a self-audit prior to filing a VCP application to avoid multiple filings (which would result in multiple VCP filing fees). Recently, we have noticed a trend of third-party administrators helping plan sponsors self-audit plan operations as a means of identifying and correcting operational issues before these issues can be found by the IRS on a plan audit. These third-party administrator self-audits often only focus on the data that is within the control of the third-party administrator and ignore possible operational errors that could be occurring on the plan sponsor side. Prior to filing any VCP applications, plan sponsors should review any data held on the plan sponsor side, such as compensation definitions and payroll codes, to determine whether there are other operational errors that should be included in the VCP filing.
- **Failure to Contemplate Alternative Outcomes.** Plan sponsors should consider and understand the possible costs that may be incurred if a proposed correction is rejected by the IRS. If a proposed correction is rejected, the alternative correction may be more expensive than anticipated.
- **Incomplete or Unexecuted Plan Documents.** Plan sponsors should ensure that all plan documents and amendments being included with the submission are properly dated and signed and are complete. We often receive documents provided by plan sponsors where only odd pages are sent because the scan was only one-sided. Careful review of the documents being submitted can reduce the potential for subsequent requests from the IRS for additional documentation.
- **Failure to Obtain Specialized Counsel.** Plan sponsors should include either internal or external benefits counsel in the beginning of the process so that they can assist with determining the proper corrections and negotiating any corrections with the IRS. By using a practitioner who handles VCP applications as part of his or her regular practice, plan sponsors can avoid the errors outlined above.