Understand Employee Benefit Plan Audits

and Prepare Your Organization for the Changes Ahead

Presented by:

GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

Jackie Cardello, CPA
Managing Director/ Audit Partner

Jennifer Arminger , CPA
Audit Partner

Housekeeping

Technical Difficulties?

- Contact Webex at 1-866-229-3239

  Event #623-896-292 / Event Password: GRF2017

- The webinar will be recorded and made available after the event

- Please use the “Chat” function for any technical questions

Housekeeping

CPE Credit Information

- Attendees seeking CPE for this presentation must complete and submit a short evaluation survey that will pop up on their screens after the webinar ends
- Three words will be shared during the webinar; the survey will ask you for those words
- Attendees cannot claim CPE unless we receive a completed evaluation with the correct words
- Technical questions about the survey can be addressed to Alina Stone at astone@grfcpa.com, or at 301-664-9357
- Turn off your pop-up blocker
- This presentation is available to download at **www.grfcpa.com/media/427.pdf**

Housekeeping

Webinar Objectives

Learning Objective *To provide attendees with a better understanding of employee benefit plan audits.*	**Instructional Delivery Methods** *Group Internet-based*
Recommended CPE *1.0 CPE*	**Recommended Fields of Study** *Auditing*
Prerequisites *None required*	**Advance Preparation** *None*
Program Level *Basic*	**Course Registration Requirements** *None*
Refund Policy *No fee is required to participate in this session.*	**Cancellation Policy** *In the event that the presentation is cancelled or rescheduled, participants will be contacted immediately with details.*
Complaint Resolution Policy *Gelman, Rosenberg & Freedman is committed to our seminar participants' 100% satisfaction and will make every reasonable effort to resolve complaints as quickly as possible. Please contact kdavis@grfcpa.com with any concerns.*	

Our Team

Meet your instructors

Jackie Cardello, CPA

Managing Director/

Audit Partner

Ms. Cardello is the Managing Director of Gelman, Rosenberg & Freedman CPAs and has been auditing and accounting in the public and private sectors since 1996. She leads the firm's employee benefit plan audit practice, including audits of 401(k), 401(a), 403(b), profit sharing, pension, and health and welfare plans and is a member of the AICPA Employee Benefit Plan Audit Quality Control Center.

Jennifer Arminger, CPA

Audit Partner

Ms. Arminger has spent her career specializing in the financial management, accounting and auditing for tax-exempt organizations, with a concentrated expertise in compliance with Uniform Guidance. She is responsible for managing all phases of nonprofit audit and consulting engagements in accordance with generally accepted auditing standards and government auditing standards.

Agenda

1 | Requirements for an Audit

2 | The 2015 and 2016 Changes

3 | Proposed Future Changes

4 | Effect of IT on Internal Control

Understand Employee Benefit Plan Audits

Requirements for an Audit

Polling Question #1

Are you currently subject to a retirement plan audit?

a. *Yes*
b. *No*
c. *I don't know*

Understand Employee Benefit Plan Audits

Requirements for an Audit

When do we need an audit of our retirement plan?

- One of the most common questions arises from the basic determination of whether *your plan is subject to Title 1 of ERISA* (inclusive of the audit requirements).

- The general rule is that an audit is required for a plan *when it reaches 100 participants or more*, which is measured as of the beginning of the plan year.

Understand Employee Benefit Plan Audits

Requirements for an Audit

What is the definition of participant?

If we are measuring the audit requirement based on a 100-participant threshold, it is important to understand what "qualifies" as a participant under the IRS definition. A participant is defined to include all of the following:

- Active employees who are participating in the plan
- Terminated employee with account balances that remain in the plan
- Active employees who are eligible to participate in the plan (even if they elect not to participate)

Understand Employee Benefit Plan Audits

Requirements for an Audit

What is the 80/120 rule?

This rule offers reprieve for plans that frequently fluctuate between slightly more or less than 100 participants. Each year, a plan that has between 80 – 120 participants can elect to file the Form 5500 in the same category (*large plan* or *small plan*) as the prior year.

Small Plan

Small plans file a short version of the 5500, in which an audit is not required.

Large Plan

Large plans file the full 5500 form with Schedule H, and audits are required

Understand Employee Benefit Plan Audits

Requirements for an Audit

What are the situations in which plans are exempt from the audit requirement?

Governmental Plans

Established and maintained by a Gov't agency of the U.S.

Church Plans

Established and maintained by a church or by a convention.

Safe Harbor Plans

Funded solely through salary reduction agreements and are not "maintained".

Understand Employee Benefit Plan Audits

The 2015 and 2016 Changes

Understand Employee Benefit Plan Audits

The 2015 and 2016 Changes

ASU 2015-12

This accounting standard released in 2015 is applicable to *defined benefit plans*, *defined contribution plans* and *health and welfare benefit plans*. The standard eliminates the following in retirement plan reporting:

- The requirement to fully measure benefit-responsive investment contracts at fair value – contract value is the only required measure;
- Disclosure of investment funds - 5% or more of the net assets available for benefits;
- The breakout of appreciation/depreciation in value by general type;
- The requirement to disaggregate investments by nature, characteristics and risks.

This is effective for fiscal years beginning after December 15, 2015 – early adoption permitted

Understand Employee Benefit Plan Audits

The 2015 and 2016 Changes

ASU 2015-07

This accounting standard released in 2015 is applicable for all entities that hold investments that calculate Net Asset Value per Share (Applicable to both Financial Statement and Retirement Plans). This standard *removes the requirement to categorize those investments using net asset value* as a practical expedient to fair value, within the fair value hierarchy table.

Effective for fiscal years beginning after December 15, 2016 – early adoption permitted

Polling Question #2

Do the new standards apply to your plan?

a. *Yes*
b. *No*
c. *I don't know*

Understand Employee Benefit Plan Audits

The 2015 and 2016 Changes

	Level 1	Level 2	Level 3	Total December 31, 2015
Asset Class:				
Registered Investment Companies	$ 4,122,135	$ -	$ -	$ 4,122,135
Unallocated Insurance Contracts	-	-	1,260,590	1,260,590
Total Investments, at Fair Value	4,122,135	-	1,260,590	5,382,725
Pooled separate accounts, at net asset value	-	-	-	357,056
TOTAL INVESTMENTS	$ 4,122,135	$ -	$ 1,260,590	$ 5,739,781

Understand Employee Benefit Plan Audits

Proposed Future Changes

Understand Employee Benefit Plan Audits

Proposed Future Changes

Proposed Changes to the 5500

ERISA, the IRS and the Pension Benefit Guaranty Corporation are proposing revisions to modernize the form 5500, which is the primary source of information about employment-based pension and welfare plans in the U.S.

Proposed date of implementation: Beginning with calendar Plan Year 2019

Understand Employee Benefit Plan Audits

Proposed Future Changes

Improve compliance under ERISA and the IRC **(IRS?)** through new questions regarding plan operations, service provider relationships and financial management of the plan	Improve the certification requirements for limited scope audits
Modernize the financial statement section and investment information	Update the reporting requirements for service provider fee and expense information
Enhance accessibility and usability of data filed on the forms	Require reporting by all group health plans covered by Title 1 of ERISA

Polling Question #3

Do you prepare your 5500 in-house?

a. *Yes*
b. *No*
c. *I don't know*

Understanding Employee Benefit Plan Audits

Proposed Future Changes

New DOL Fiduciary Rule

Originally proposed to be phased in April 10, 2017 – January 1, 2018, but now *delayed until June 9, 2017*. The 40-year old ERISA rules regarding financial advice are long overdue for a change to reflect the shift from traditional defined benefit plans (pension plans) to defined contribution plans and IRAs.

> *The Fiduciary Rule would require financial advisors to act in the best interests of their clients when recommending retirement accounts.*

Understanding Employee Benefit Plan Audits

Proposed Future Changes

- The *new definition of fiduciary* under this ruling demands that advisors act in the best interests of their clients and put their client interest before their own.
- The change aims to *eliminate the opportunity to conceal any potential conflicts of interest*
- All fees and commissions must be **cleared disclosed(?)** in dollar form to the clients
- The definition now expands to *any professional making a recommendation or solicitation* – not just ongoing advice
- Covered retirement plans include: *Defined Contribution Plans, Defined Benefit Plans, IRAs*

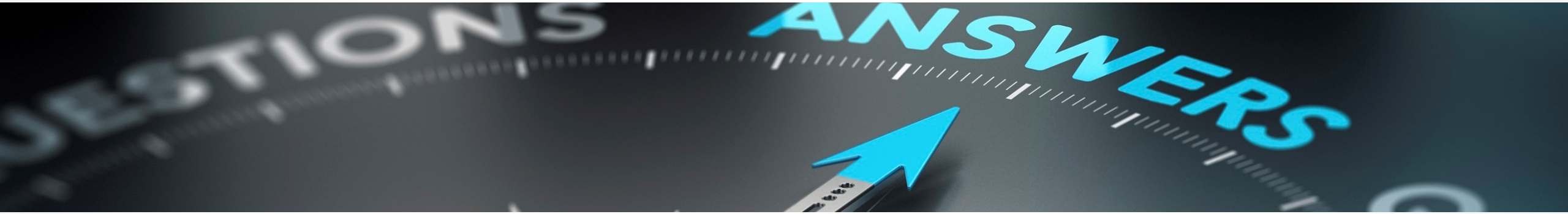
Join us again

at the next seminar in our 2017 Webinar series

"The Road to Audit Readiness: Best Practices for Closing the Books at Year-end"

May 24th, 2017, 11:00 a.m. to 12:00 p.m.

Get In Touch



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

4550 Montgomery Avenue,

Suite 650N, Bethesda, MD 20814

(301) 951-9090

www.grfcpa.com

twitter.com/grfcpas

facebook.com/grfcpas

linkedin.com/company/gelman-rosenberg-&-freedman-cpas

instagram.com/grfcpas/

Jackie Cardello, CPA

jcardello@grfcpa.com

(301) 951-9090

Jennifer Arminger, CPA

jarminger@grfcpa.com

(301) 951-9090