

Prepare for the Changes Ahead for Employee Benefit Plan Audits

And Avoid Common Mistakes

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Housekeeping

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- Technical questions about the survey can be addressed to Dominic Acosta at dacosta@grfcpa.com.

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Webinar Objectives

Learning Objective

To understand the upcoming changes to employee benefit plan audits

Instructional Delivery Methods

Group Internet-based

Recommended CPE

1.0 CPE Credit

Recommended Fields of Study

Audit

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

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Our Team

Meet Your Instructors



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Agenda



Requirements for
an Audit



Proposed Changes
to EBP Audits



Common Issues
and Errors in EBP's

A person wearing a white lab coat is seated at a wooden desk. Their left hand is on a tablet, and their right hand is holding a pen over an open notebook. A white coffee cup with a latte is on the left, and a pair of glasses is in the bottom left corner. The scene is softly lit, creating a professional and focused atmosphere.

Employee Benefit Plan Audits

Requirements for an Audit

Poll 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

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

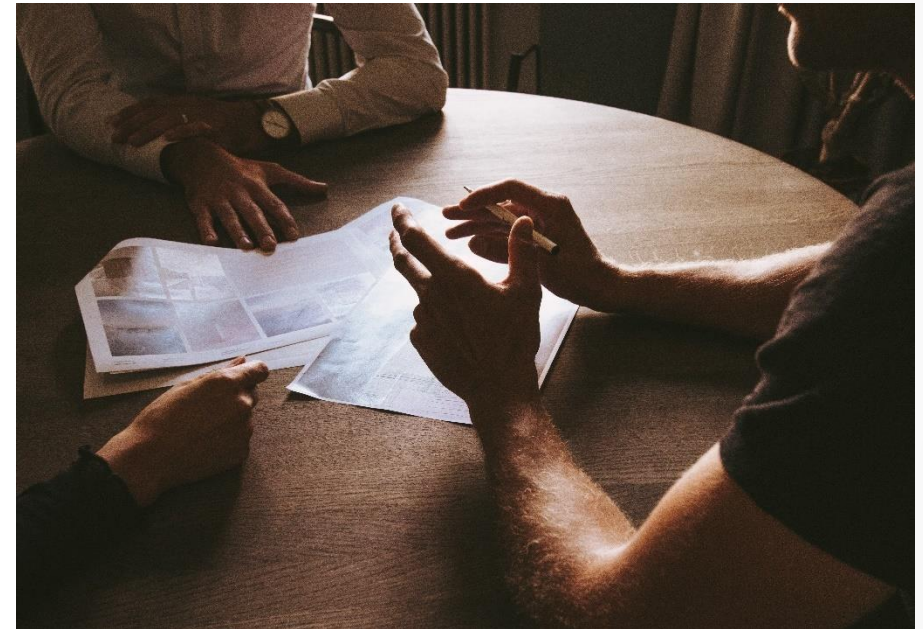
Understand Employee Benefit Plan Audits

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 employees 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)



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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



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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”

Poll Question #2

If your plan is subject to audit, does your plan qualify for a DOL Limited scope audit?

- A) Yes
- B) No
- C) *I don't know*

A blurred background image of a business meeting. In the foreground, a person's hand is pointing towards the right. In the background, another person is holding a pen over a notepad, and a glass of water is visible on the table. The overall scene is professional and collaborative.

Employee Benefit Plan Audits

Proposed Changes

Understand Employee Benefit Plan Audits

Exposure Draft

“Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA”

- This exposure draft was created and proposed by the AICPA in response to the DOL’s criticizing the results and findings of their 2015 study on Employee Benefit Plan Audits
- ASB has voted to issue the standard and are finalizing early 2019
- Would be effective for fiscal years ending on or after December 15, 2020



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Results of DOL's 2015 EBP Study

In May 2015, the Employee Benefits Security Administration (EBSA) of the DOL issued a report, *Assessing the Quality of Employee Benefit Plan Audits* and noted a 39% deficiency rate among 400 plans reviewed. DOL will be doing another study in the upcoming years!



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Exposure Draft: Proposed Changes



Limited Scope Audit

Create a different audit opinion (language) when plan management/sponsor engages a firm to perform a limited scope audit



Additional work on Certifications

Additional audit procedures will have to be applied to investment certifications



Audit Opinion on Compliance

The auditor would have to report on specific plan provisions and whether or not the organization had complied

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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



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Proposed Changes

Improve compliance under ERISA and the IRC 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

Poll Question #3

Has your plan audit ever resulted with errors or findings?

A) Yes

B) No

C) I don't know



Employee Benefit Plan Audits

Avoid Common Mistakes

Understand Employee Benefit Plan Audits

(1) Untimely Employee Remittances

One of the most common findings (and a DOL “hot topic”) is the untimely remittance of employee contributions

Common Misconceptions

- The 15th of the subsequent month is not a safe harbor
- DOL looks to your earliest remittance date as the standard



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(2) Definition of Compensation

Often times, the plan definition of compensation specifically includes or excludes certain benefits from the base for calculating employee and employer contributions. It's important that the plan definition matches what is happening in practice!

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(3) Noncompliance with Plan Document

- The Retirement Plan Document serves as the basis for determining compliance, policies, processes and other terms related to the management of the retirement plan. We audit to the Plan document!
- Ensure the Plan document is up to date for amendments, change in laws, restatements, etc.



Understand Employee Benefit Plan Audits

(4) Failed to Get an Audit (when required)

- Audits are required for plans with 100 or more participants (80/120 rule). Often times, employers may not even be aware they have surpassed the threshold for audit requirements, and fail to file the necessary audited financials with the 5500.
- Make arrangements to perform and audit as soon as possible and submit when complete. Try and avoid penalties and fees through reprieve avenues with the DOL.

Questions



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Securing Alternative Revenue Streams to Meet Tomorrow's Mission

Featured Speaker

Sara Gibson

Co-Founder and CEO | 20° LLC



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Since 1996, Ms. Cardello has specialized in auditing nonprofit organizations including 501(c)(3) charitable entities, associations, private voluntary organizations and various arts, advocacy, community development and other charitable institutions. She also leads the firm's employee benefit plan audit practice managing and providing expertise for audits of 401(k), 401(a), 403(b), profit-sharing, pension, and health and welfare plans.

As the managing partner, Ms. Cardello provides leadership and oversees strategy and governance to ensure exceptional client service and success of the firm. She regularly provides thought leadership for the employee benefit plan audit and the nonprofit communities in the form of articles and presentations on topics ranging from financial management to nonprofit retirement plans and employee benefit audit updates.

Education

- BS/Accounting, University of Maryland, College Park

Professional Affiliations

- American Institute of Certified Public Accountants' (AICPA) Employee Benefit Plan Audit Quality Center (EBPAQC)
- Girls on the Run of Montgomery County, Lead Coach
- Greater Washington Society of CPAs (GWSCPAs), Board of Governors
- Maryland Association of CPAs (MACPA)
- National Association of Professional Women
- Tree House Child Assessment Center of Montgomery County, Community Council



Jennifer Arminger, CPA

Nonprofit Audit Partner

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Ms. Arminger has worked in public accounting for her entire career and possesses expertise in auditing and accounting for tax-exempt organizations. She is a frequent speaker on compliance with Uniform Guidance, and leads a seminar and webinar series aimed at bringing financial management education to Maryland, DC and Virginia nonprofits. In addition to her role as an auditor, Ms. Arminger is also a leader in the firm's Employee Benefit Plan practice, ensuring clients' compliance with the specifics of various plan qualifications.

As a partner, Ms. Arminger is responsible for coordinating interactions between firm and client staff and for ensuring the engagement is completed in a timely, accurate and efficient manner. She manages all phases of engagements for audits of nonprofit organizations, including accreditation programs, associations, private voluntary organizations and other charitable institutions.

Education

- MS/Accounting – American University
- BS/Finance – University of Maryland, College Park

Professional Affiliations

- American Institute of Certified Public Accountants, Member
- Greater Washington Society of CPAs, Member
- Live Baltimore, Board Member
- Ovarian Cancer Research Fund Alliance, Treasurer