

Changes in the Employee Benefit Plan Landscape for 2020 and 2021 Audits



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- Technical questions about the survey can be addressed to Nathan McElveen at nmcelveen@grfcpa.com.

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Additional Information

Learning Objective To provide attendees with industry updates, guidance on 2020 changes and preparations for new accounting standards under SAS 136	Instructional Delivery Methods Group Internet-based
Recommended CPE 1.0 CPE Credit	Recommended Fields of Study Auditing – Technical
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.
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Presenters

Meet the instructors



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Agenda



Industry Update



CARES Act



SAS 136

A professional photograph of four diverse individuals in a modern office environment. A man in a dark suit and tie is in the foreground, looking directly at the camera. Behind him, from left to right, is a woman with short brown hair, a man with glasses and a beard, and a woman with curly hair wearing a yellow top. They are all looking towards the viewer.

Employee Benefit Plan Audits

Industry Update

Polling Question #1

Do you have formal cyber security controls in place for your retirement plan?

- A. Yes
- B. No
- C. Unsure

Industry Update

DOL's view on Cyber Security for Plans



The DOL and EBSA are currently in the process of conducting a study on **Cyber Security** related to retirement plans and what procedures service providers and plan administrators have in place.



Currently, there is no formal guidance on what the DOL and EBSA would expect as far as a minimum requirement for **Cyber Security controls**. They will most likely issue formal guidance upon conclusion of their research.

Industry Update

DOL's view on Cyber Security for Plans

- Management/Plan Administrators are responsible for ensuring compliance with the plan
- Management/Plan administrators are responsible for the administration of the plan, even if outsourced to a third party institution. The onus falls on the employer. And this includes establishing internal controls around cyber and data security or ensuring that the service provider has good controls in place.
- DOL has issued the following guidance ([via link here](#)) to what they consider best practices for a Plan's Cyber Security.



Industry Update

DOL's view on Cyber Security for Plans



EMPLOYEE BENEFITS SECURITY ADMINISTRATION UNITED STATES DEPARTMENT OF LABOR

CYBERSECURITY PROGRAM BEST PRACTICES

ERISA-covered plans often hold millions of dollars or more in assets and maintain personal data on participants, which can make them tempting targets for cyber-criminals. Responsible plan fiduciaries have an obligation to ensure proper mitigation of cybersecurity risks.

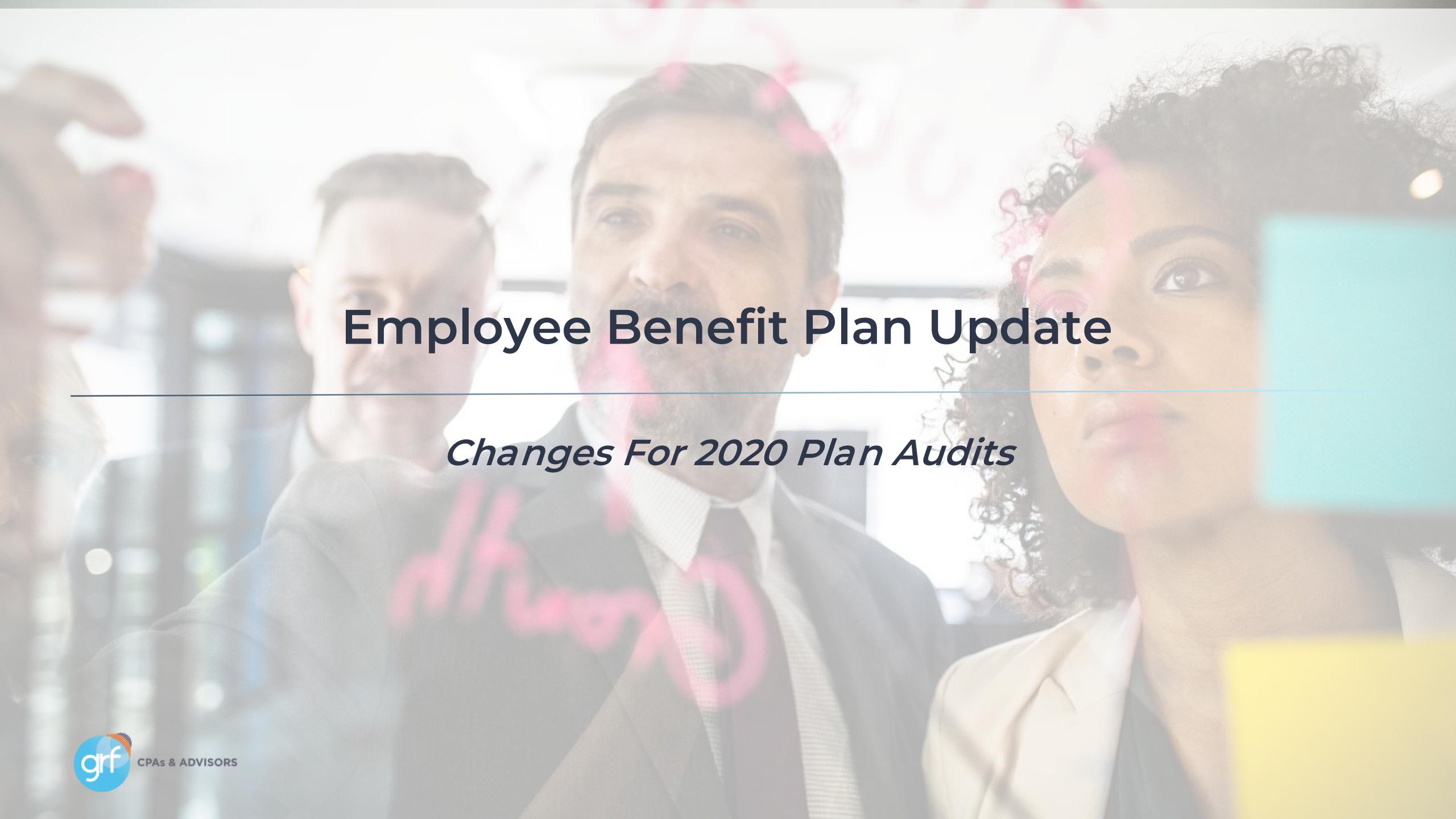
The Employee Benefits Security Administration has prepared the following best practices for use by recordkeepers and other service providers responsible for plan-related IT systems and data, and for plan fiduciaries making prudent decisions on the service providers they should hire. Plans' service providers should:

1. Have a formal, well documented cybersecurity program.
2. Conduct prudent annual risk assessments.
3. Have a reliable annual third party audit of security controls.
4. Clearly define and assign information security roles and responsibilities.
5. Have strong access control procedures.
6. Ensure that any assets or data stored in a cloud or managed by a third party service provider are subject to appropriate security reviews and independent security assessments.
7. Conduct periodic cybersecurity awareness training.
8. Implement and manage a secure system development life cycle (SDLC) program.
9. Have an effective business resiliency program addressing business continuity, disaster recovery, and incident response.
10. Encrypt sensitive data, stored and in transit.
11. Implement strong technical controls in accordance with best security practices.
12. Appropriately respond to any past cybersecurity incidents.

Polling Question #2

Did your plan allow employees to take advantage of changes under the CARES Act?

- A. Yes
- B. No
- C. Unsure

A blurred background image of a diverse group of business professionals, including men and women of various ethnicities, dressed in professional attire like suits and blouses, standing in what appears to be a modern office environment.

Employee Benefit Plan Update

Changes For 2020 Plan Audits

Changes as a Result of CARES Act

EBSA Disaster Relief Notice 2020-01

U.S. Department of Labor

Employee Benefits Security Administration
Washington, D.C. 20210



EBSA Disaster Relief Notice 2020-01

**Guidance and Relief for Employee Benefit Plans Due to the
COVID-19 (Novel Coronavirus) Outbreak**

Review disaster
relief guidance [here](#).

Employers had the option of electing the CARES Act provisions. They were not required to adopt. An Employer has until 2022 to formally amend the plan (2023 for plan years on a fiscal period)

Changes as a Result of CARES Act

Options for Individuals

- Early withdrawal from an Eligible Retirement Plan (including IRAs)
 - Up to \$100,000 can be taken between 1/1/20 – 12/31/20
 - No 10% early withdrawal penalty is assessed
 - Income is ratably spread over 3 tax years beginning in 2020 (can elect out of spread)
 - Can repay the distribution within 3 years of receipt and avoid reporting the income.
- Loans from a Qualified Employer Plan
 - Loans up to \$100,000 (old limit was 50,000) or 100% vested balance, permitted in the 180 days following enactment of the law. (3/27/20)
 - Repayment dates on existing loans are delayed for one year.
- Taxpayer, spouse or dependent must have been diagnosed with SARS-CoV-2 or COVID-19 or have experienced financial hardship because of quarantine (layoff, reduced hours).

Changes as a Result of CARES Act

Partial Plan Terminations

Section 209 of the Relief Act provides that a plan is not treated as having a partial termination (within the meaning of Internal Revenue Code Section 411(d)(3)) during any plan year which includes the period beginning on March 13, 2020, and ending on March 31, 2021, if the number of active participants covered by the plan on March 31, 2021, is at least 80% of the number of active participants covered by the plan on March 13, 2020



Changes as a Result of CARES Act

What is the Employer Responsible for?

Employer Verification Procedures

- If an employee pension benefit plan fails to follow procedural requirements for plan loans or distributions imposed by the terms of the plan, the Department will not treat it as a failure if:
 - that failure is solely attributable to the COVID-19 outbreak;
 - the plan administrator makes a good-faith diligent effort under the circumstances to comply with those requirements; and
 - the plan administrator makes a reasonable attempt to correct any procedural deficiencies, such as assembling any missing documentation, as soon as administratively practicable.

Changes as a Result of CARES Act

What is the Employer Responsible for?

- Q11. May an administrator rely on an individual's certification that the individual is eligible to receive a coronavirus-related distribution?
- A11. The administrator of an eligible retirement plan may rely on an individual's certification that the individual satisfies the conditions to be a qualified individual in determining whether a distribution is a coronavirus-related distribution, unless the administrator has actual knowledge to the contrary. Although an administrator may rely on an individual's certification in making and reporting a distribution, the individual is entitled to treat the distribution as a coronavirus-related distribution for purposes of the individual's federal income tax return only if the individual actually meets the eligibility requirements
- <https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers>

Common Changes in Internal Controls in 2020

As a result of COVID-19

- Plan administrator and/or point of contact changed due to turnover
- Or furloughed employees
- Industry changes
- Cybersecurity and hacking
- Compensation (reduction in comp, covid bonus payments, etc.)
- Frozen employer contributions
- Contractors are administering the plan – may not be aware of the provisions



Polling Question #3

Are you aware of the changes to “limited scope” audits under SAS 136?

- A. Yes
- B. No
- C. Unsure

Understand Employee Benefit Plan Audits

SAS No. 136 Highlights



Limited Scope Audit (ERISA Section 103(a)(3)(c) 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 will have to report on specific plan provisions and whether or not the Plan has complied

Understand Employee Benefit Plan Audits

Changes Under SAS No. 136

Clarify and expand on Plan Sponsor responsibilities	<ul style="list-style-type: none">- Assess whether the certifying institution is qualified- Certified investment information is appropriately measured, presented and disclosed in accordance with the applicable financial reporting framework.- Maintaining a current plan document and amendments, etc.- Maintain sufficient participant records
Clarify and expand on the Auditor's responsibilities	<ul style="list-style-type: none">- Communicate "reportable findings"- Review draft of Form 5500 prior to finalization

Employee Benefit Plan Update

SAS No. 136

DO ANY OF THE CHANGES AFFECT PLAN MANAGEMENT (SPONSOR/ADMINISTRATOR?)

1. As part of the auditor's acceptance of the engagement the auditor will ask plan management to acknowledge the responsibilities for maintaining the plan, administering the plan and providing a draft 5500
2. Most Significant Change: Requires the auditor to obtain from plan management (in writing) representation that management:
 - Elects to have an ERISA Section 103(a)(3)(c) audit
 - Whether that audit is permissible
 - The investment information is prepared and certified by a qualified institution
 - The Certification meets DOL requirements
 - The certified information is appropriately measured, presented and disclosed in accordance with the applicable framework.

Employee Benefit Plan Update

SAS No. 136

Explore the Management
Certification Assessment Tool



Acrobat
Document



Questions?

Contact Us



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