

A blurred background image showing a business meeting. In the foreground, a person's hand is visible, holding a yellow pencil and pointing at a document titled "SUMMARY REPORT". The document features a bar chart and a pie chart. To the right, another person's hand is visible, typing on a laptop keyboard. The overall scene is professional and focused on financial analysis.

New Audit Requirements For Employee Benefit Plans: *Are You Prepared?*

Our UHY Presenters



Susan Orr
Partner



Nelly Gizdova
Principal



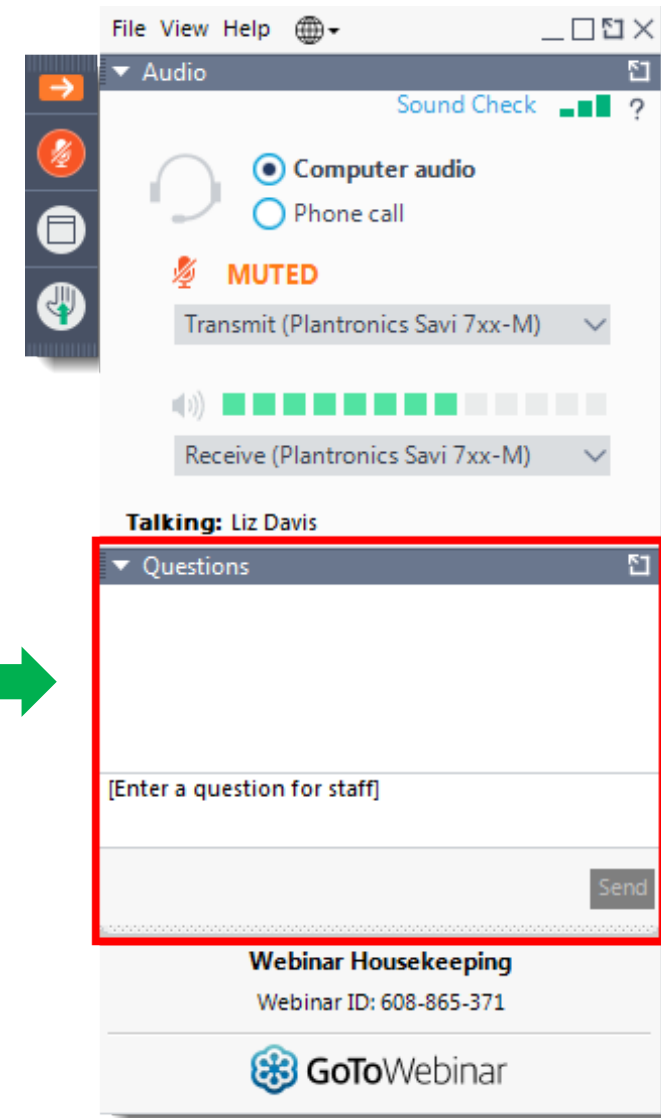
Stacy Farber
Principal

Meeting Preparedness

- Our session will be 1 hour with Q&A at the end
- We will be asking polling questions. It is important that you participate!
- Certificates for participation will be issued via email
 - CPE eligibility depends on your state's NASBA requirements
- Survey will follow the session, please provide feedback
- This session will be recorded, and a link will be sent to all participants

Your input is encouraged!

- Interactive functions are found in the Controls:
- Submit your questions using the Question/Comment Box.
- We will answer as many questions as possible at the end of the presentation.
- Don't worry! You are muted and your video cameras are not visible to the presenters or participants.



Agenda

- Overview
- New requirements for plan management & auditors
- Best practices for plan administrators
- Avoid costly mistakes
- Questions



Polling Question #1

Does your organization sponsor an employee benefit plan that is subject to audit requirements?

- A. Yes
- B. No
- C. Not sure

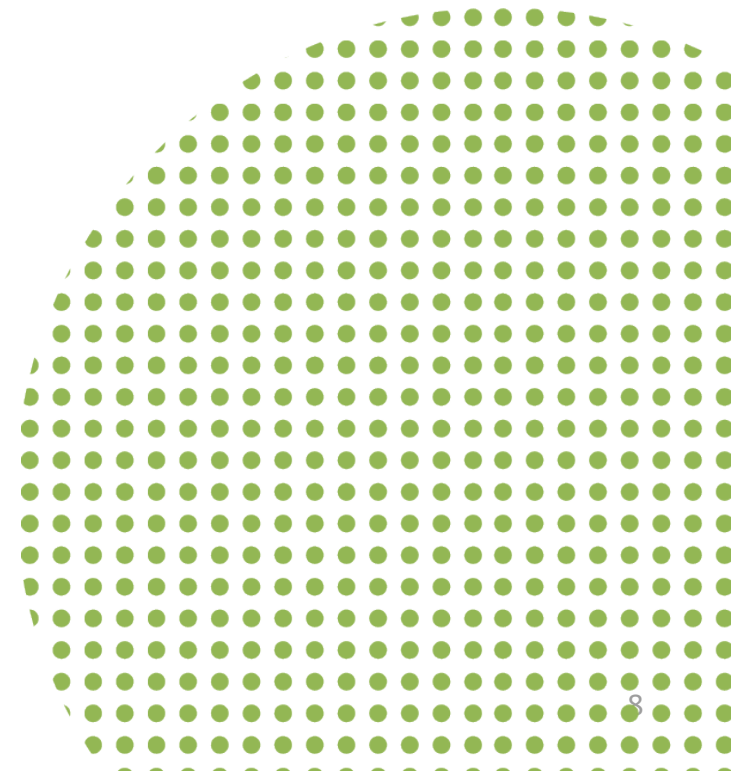


ERISA: Employee Retirement Income Security Act

- Protect retirement benefits for workers covered by private pension plans
- Establishes minimum standards for benefit accrual, funding and vesting
- Establishes audit requirements for employee benefit plans
- Administered and enforced by the U.S. Department of Labor (DOL)

ERISA Section 103(a)(3) Audit Requirements

- Large Plans - Generally, employee benefit plans with 100 or more eligible participants
- 80-120 rule
- Decline of participants
- Initial plan year



ERISA Plans: 80-120 Rule Illustration

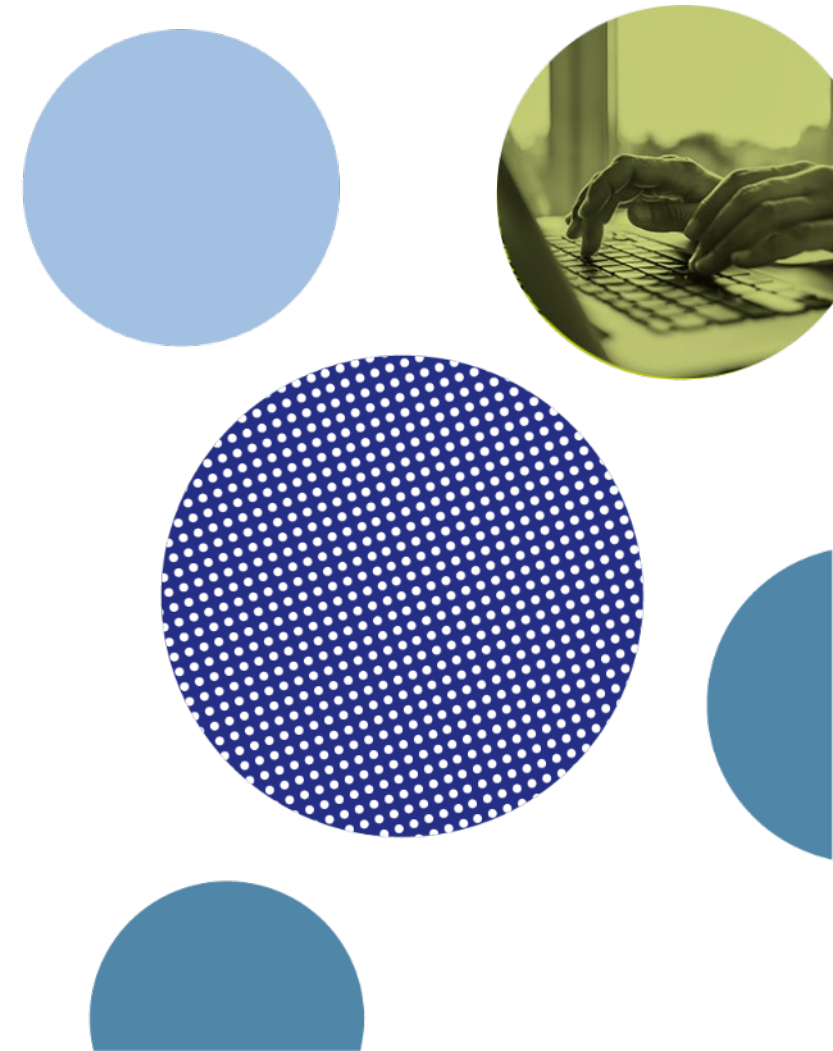
# of eligible participants on 1st day of the plan year	Financial schedule filed with prior year Form 5500	Options for current year Form 5500	Audit required?
< 80	Does not matter	Small Plan - Schedule I	No
80-99	Small Plan - Schedule I	Small Plan - Schedule I	No
	Large Plan - Schedule H	Either - Schedule H or I	Optional*
100-119	Small Plan - Schedule I	Either - Schedule H or I	Optional*
	Large Plan - Schedule H	Large Plan - Schedule H	Yes
> 120	Does not matter	Large Plan - Schedule H	Yes

Schedule I - Financial Information - Small Plan

Schedule H - Financial Information (Large Plan)

* Audits are always required if you elect to file as a large plan using Schedule H. File Schedule I to avoid the audit requirement in these circumstances.

New Requirements for Plan Management /TCWG and Plan Auditors



New Plan Audit Requirements – SAS 136 (AU-C 703)

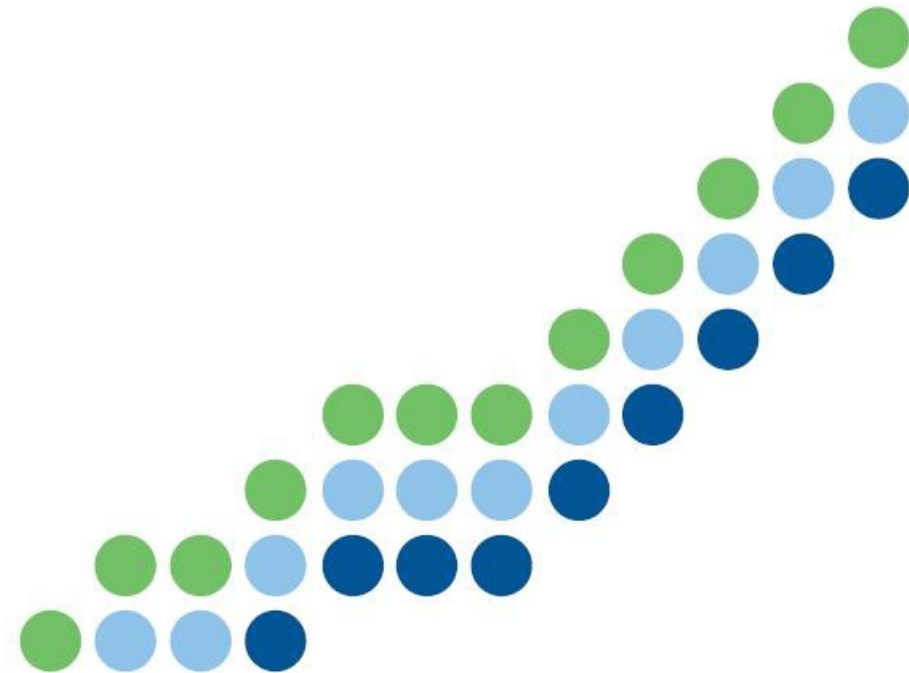
SAS 136 (AU-C 703) - Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA

- Why?
- When?
- What?



SAS 136 – New Plan Audit Requirements

- Engagement acceptance and management representations
- Risk assessment and response
- Communications with those charged with governance (TCWG)
- ERISA required schedules and Form 5500
- Form and content of the Auditor's report



Engagement Acceptance: Management & TCWG Representations

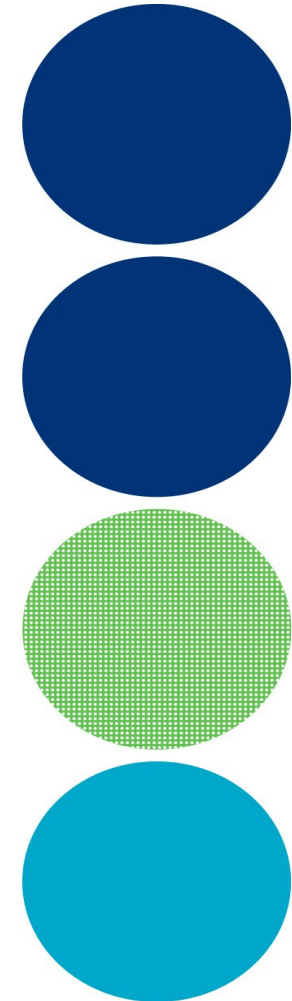
Must understand and acknowledge their responsibility for the following:

- Plan documents
- Plan administration and reporting
- Participant records
- Form 5500 Draft
- ERISA Sec 103(a)(3)(c) audit election (*or not*)



ERISA Section 103(a)(3)(c) Audit Election

- What is ERISA section 103(a)(3)(C) election?
- Section 103(a)(3)(C) audit is permissible
 - Investment information is prepared and certified by a qualified institution
 - Valid certification
 - The certified investment information is appropriately measured, presented, and disclosed
- Request the auditor to perform an ERISA Section 103(a)(3)(c) Audit





ERISA Section 103(a)(3)(c) Audits

Valid Certification of Investments (CFR 2520.103-5)

Certification of Financial Information

Contract number: XXXXXX

Plan year end: 12/31/2021

Plan name: Example Company 401(k) Plan

Plan number: 2

EIN: XXXXXXXXX

Delaware Charter Guarantee and Trust Company d/b/a Principal Trust Company[®] acts as custodian or trustee for certain funds held as investment vehicles for the retirement plan. For the investment options listed below for which Principal Trust Company acts as custodian or trustee, I certify, as an authorized representative of Principal Trust Company, that the financial information furnished to the Plan Administrator pursuant to 29 CFR 2520.103-5(c) is complete and accurate.

A handwritten signature in black ink that reads 'Chris Taylor'.

Christopher Taylor
Chief Operating Officer
Principal Trust Company
Wilmington, Delaware

Requirements For Benefit Plan Auditors

- Engagement Acceptance
- Planning
- Audit Testing
- Reporting



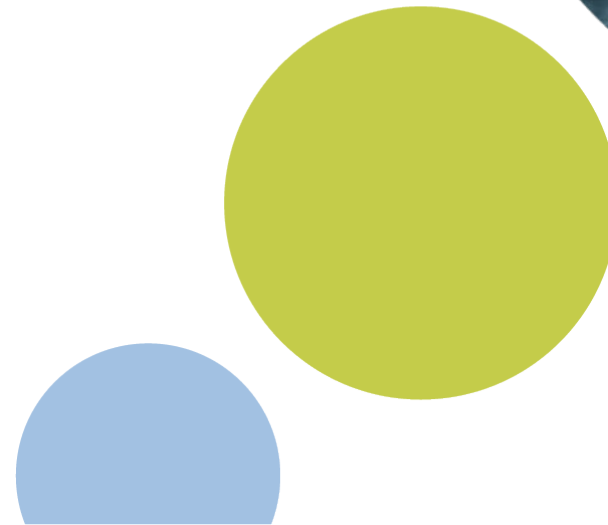
Polling Question #2

What is a Qualified institution according to ERISA ?

- A. Bank
- B. Trust
- C. Insurance Company
- D. All of the above

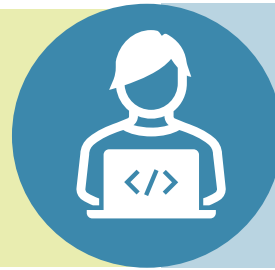


Best Practices for the Plan Administrator



Best Practice #1

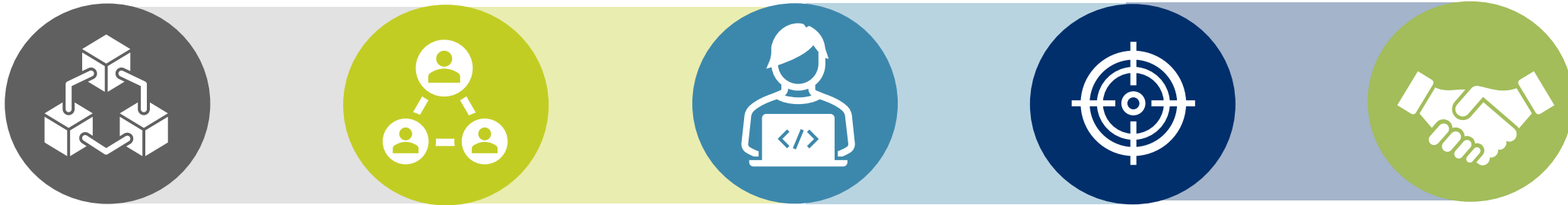
Know the Plan Provisions



- ✓ Eligibility
- ✓ Definition of Compensation
- ✓ Contributions
- ✓ Benefit payments

Best Practice #2

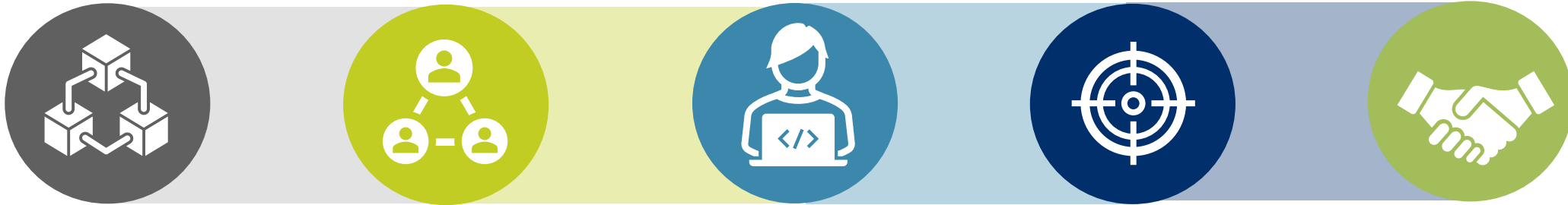
Avoid Unnecessary Complexity of Plan Provisions



- ✓ Compensation exclusions
- ✓ Employer contributions
- ✓ Vesting rules

Best Practice #3

Automate processes and calculations when feasible



- ✓ Enrollment
- ✓ Payroll calculations
- ✓ Calculations of contributions
- ✓ Verify & Test

Best Practice #4

Create checklists for compliance & documentation



- ✓ Documents
- ✓ Participant data
- ✓ Distributions

Best Practice #5

Review SOC reports from service providers



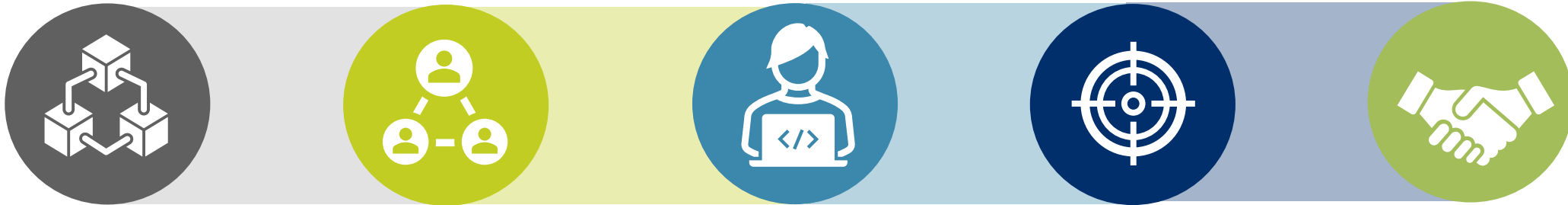
- ✓ Payroll
- ✓ Plan operations
- ✓ Subservice organizations
- ✓ Complementary user controls are implemented

Excerpt From SOC 1 Report

Ref. #	CUEC	Related CO
01	User entities should have controls in place for timely written notification of requested changes to the plan, its objectives, and its participants to NFS.	CO6, CO11
02	User entities should have controls in place for timely written notification of changes to NFS to individuals who can authorize NFS to perform activities on behalf of user entities.	CO6
03	User entities should have controls in place for timely review of reports, including tax reports and transaction confirmations provided by NFS of account balances and related activity, and written notice should be provided to NFS of discrepancies as compared with the user entity's record.	CO7, CO8, CO9 CO10, CO14

Best Practice #6

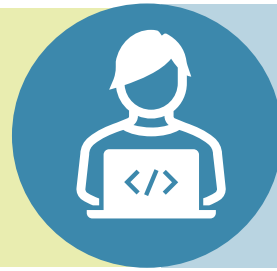
Reconcile Contributions to Payroll



- ✓ Critical in identifying missed contributions
- ✓ Match types of contributions, i.e. pre-tax, after-tax, Roth, Catch up

Best Practice #7

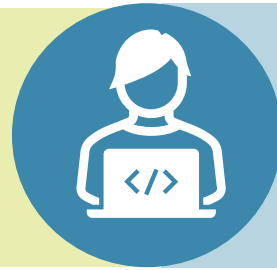
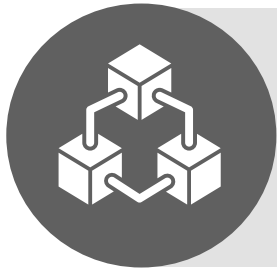
Review timeliness of participant contributions and loan repayments



- ✓ “As soon as administratively possible to segregate from general assets”
- ✓ No safe harbor for large plans
- ✓ Be consistent

Best Practice #8

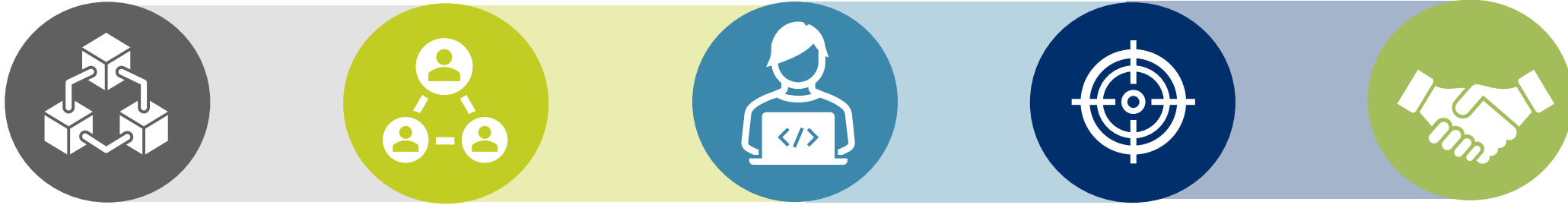
Review financial reports



- ✓ Contributions
- ✓ Distributions
- ✓ New loans
- ✓ Investment return

Best Practice #9

Document Plan Oversight & Decisions



- ✓ Meetings with service providers
- ✓ Discretionary contributions
- ✓ Investment selection
- ✓ Service provider and expense review

Best Practice #10

Be Alert to New Risks



- ✓ Cybersecurity
- ✓ Cryptocurrencies



Polling Question #3

True or False:
If the plan is considered a “large” plan, participant contributions will not be considered late if they are remitted within 7 business days of the payroll date.

- A. True
- B. False

Key Takeaways

Become familiar with 103(a)(3)(C) audit requirements, including eligible certifying institutions.

Become familiar with explicit responsibilities of plan management – review the engagement letter.

Review the 10 best practices to see how you can add efficiencies and mitigate risk for your employee benefit plans.

Questions

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Submit
Your
Questions
in the
Question
Box!



The screenshot shows a GoToWebinar interface. At the top, there's a menu with 'File', 'View', and 'Help'. Below that is an 'Audio' panel with a 'Sound Check' indicator. It shows 'Computer audio' selected and 'Phone call' unselected. A microphone icon is labeled 'MUTED'. Below that, there are dropdown menus for 'Transmit (Plantronics Savi 7xx-M)' and 'Receive (Plantronics Savi 7xx-M)'. A volume slider is visible. Below the audio panel, it says 'Talking: Liz Davis'. A 'Questions' panel is highlighted with a red border, containing a text input field with the placeholder '[Enter a question for staff]' and a 'Send' button. At the bottom, it says 'Webinar Housekeeping' with 'Webinar ID: 608-865-371' and the 'GoToWebinar' logo.

About UHY

