



# SAS No. 136 and the Impacts on Employee Benefit Plans

April 28, 2022

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# Welcome

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# Overview

## *SAS 136 – Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA:*

- Only applies to ERISA plan audits
- Effective for periods ending on or after December 15, 2021 (postponed from original date)
- Early implementation permitted



# Agenda



01 Engagement Acceptance

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02 Risk Assessment

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03 Reportable Findings

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04 ERISA Section 103(a)(3)(C) Audits

05 Written Representations

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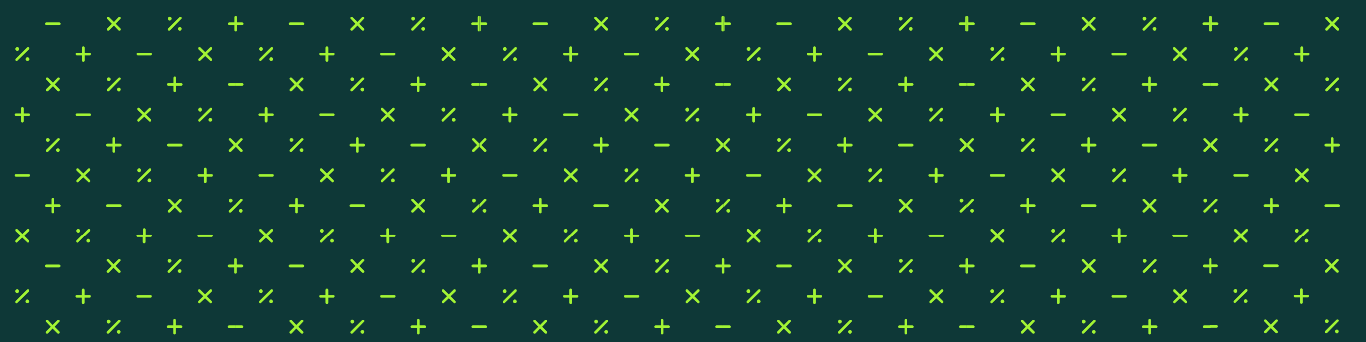
06 Auditor's Reports

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07 Form 5500

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# Engagement Acceptance

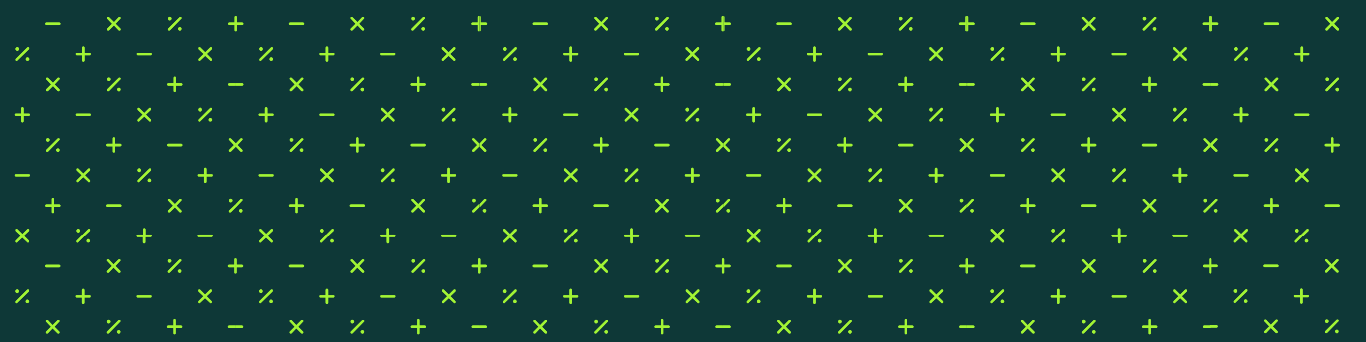
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# Engagement Acceptance

In addition to preconditions addressed in AU-C 210, the auditor should obtain the agreement of **management** that it **acknowledges and understands its responsibility** for the following :

- Maintaining a current plan instrument, including all plan amendments
- Administering the plan and determining that the plan's transactions are presented and disclosed in the financial statements in conformity with plan provisions
- Maintaining sufficient participant records in order to determine benefits due or which may become due to participants
- Providing substantially complete Form 5500 prior to the dating of the audit report
- If applicable, determining ERISA Section 103(a)(3)(C) audit is appropriate





# Risk Assessment

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# Relevant Plan Provisions

When designing and performing audit procedures, the auditor should consider relevant plan provisions that affect the risk of material misstatement at the relevant assertion level for classes of transactions, account balances, and disclosures:

- Financial statement amounts are determined by plan provisions
  - Contribution provisions (employee, employer, pre-tax, Roth, match, profit sharing, etc.)
  - Eligibility provisions (employee vs. employer, auto enrollment, elig based on job class, etc.)
  - Benefit payments (vesting, complicated benefit formulas, based on comp vs. years of service)
- Auditor to obtain and review the most current plan instrument and plan amendments for the audit period to obtain an understanding of the entity and for risk assessment

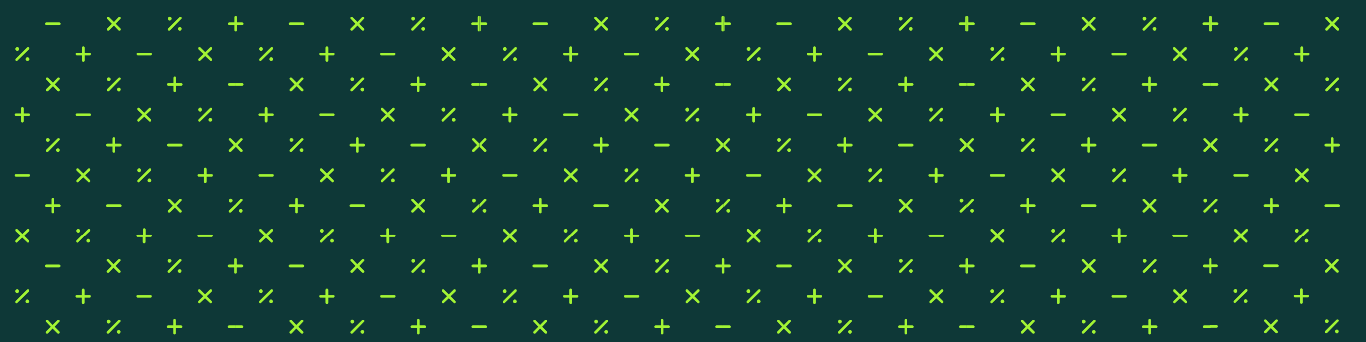




# Risk Assessment

- Plan tax status
  - IRC compliance tests
  - Correction of failures
- Prohibited Transactions
  - Properly reported in required supplemental schedule
  - Possible modification to audit report





# Reportable Findings

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# Evaluation and Documentation

## Reportable findings:

- An identified instance of noncompliance or suspected noncompliance with laws or regulations
- A finding from the audit that is significant and relevant to those charged with governance in their oversight role related to the Plan
- An indication of deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in the auditor's judgment, are of sufficient importance to merit management's attention

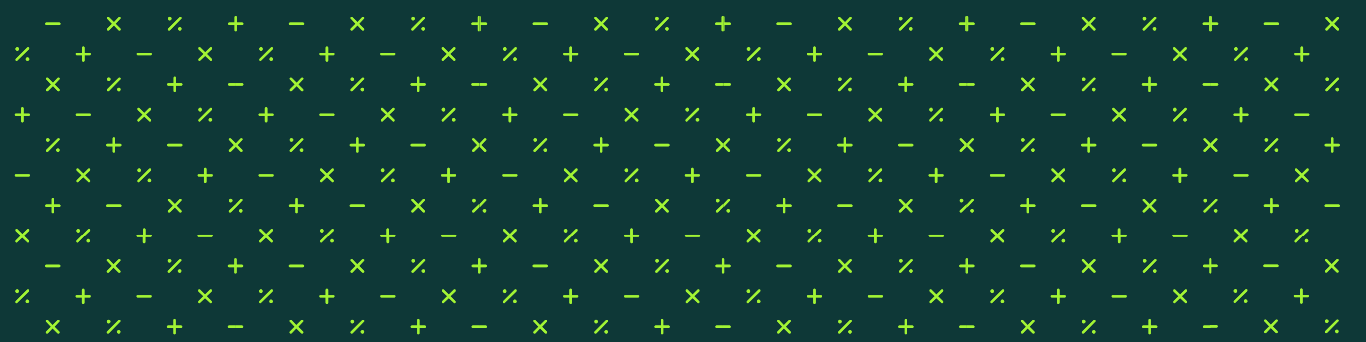


# Evaluation and Documentation (Cont'd)

## Reportable findings:

- Auditor should communicate in writing to those charged with governance, on a timely basis
  - Description of the reportable finding
  - Sufficient info to enable those charged with governance to understand the context of the communication
  - An explanation of the potential effects of the reportable findings on the financial statements or the Plan





# ERISA Section 103(a)(3)(C) Audits

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# ERISA Section 103(a)(3)(C) Audits

When management elects an ERISA Section 103(a)(3)(C) audit, **management** should acknowledge and understand its responsibility:

- An ERISA Section 103(a)(3)(C) audit is permissible under the circumstances
- The investment information is prepared and certified by a qualified institution as described in 29 CFR 2520.103-8
  - A bank or similar institution
  - An insurance company that is regulated, supervised, and subject to periodic examination by a state or federal agency
  - Assets must be held by the qualified institution
- Statements are prepared and certified in accordance with 29 CFR 2520.103-5 of the DOL's Rules and Regulations for Reporting and Disclosure under ERISA



# ERISA Section 103(a)(3)(C) Audits (cont'd)

When management elects an ERISA Section 103(a)(3)(C) audit, the **auditor** should:

- **Evaluate management's assessment** of whether an ERISA Section 103(a)(3)(C) audit is appropriate
- **Inquire of management** about how management determined that the entity preparing and certifying the investment information is a qualified institution
- Obtain and read the certification
- Agree information in the certified statements to the financial statements
- Read the disclosures related to investment information to assess whether they are in accordance with the presentation and disclosure requirements
- All information not covered by the certification should be subject to audit procedures



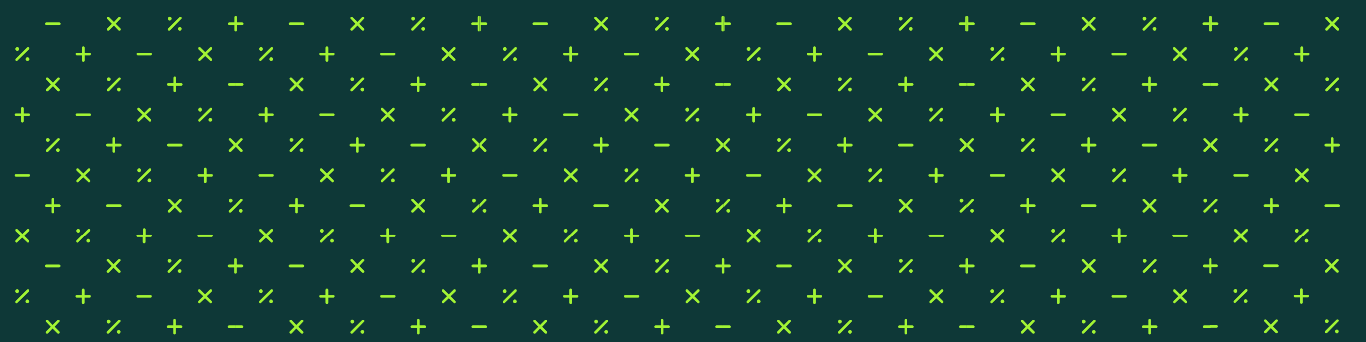
# Reading the Certification

What to look for when evaluating the certification from a qualified institution:

- Is it prepared and certified by a qualified institution?
- Is it signed by an authorized signer?
- Does it cover all investments of the Plan?
- Does it certify completeness and accuracy?
- Does it cover the entire plan year under audit? Same period as the financial statements?
- Is provided at the plan level vs. master trust level?
- Any language such as “agent for”? If so, you may need the legal agency agreement
- Do you know of any errors in the valuation of the investments?
  - Impairments
  - Delayed valuation from investment manager to trustee







# Written Representations

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# Written Representations

In addition to requirements in AU-C 580, the auditor should request the following written representations from management:

- That management has provided the auditor with the most current plan instrument for the audit period, including all plan amendments
- Acknowledgement of management's responsibility for administering the plan and determining that the plan's transactions are presented and disclosed in the financial statements in conformity with plan provisions
- Acknowledgement of management's responsibility for maintaining sufficient participant records in order to determine benefits due or which may become due to participants

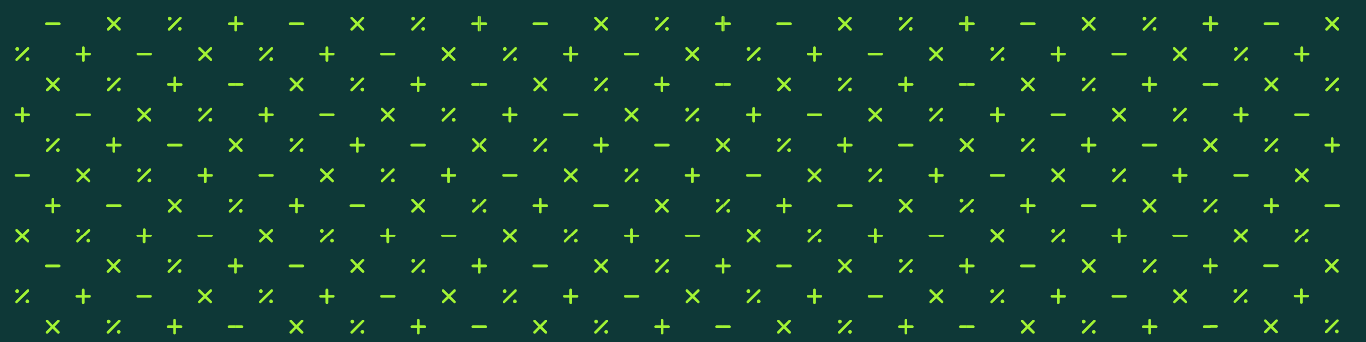


# Written Representations (Cont'd)

In addition to requirements in AU-C 580, the auditor should request the following written representations from management:

- Acknowledgement that management's election of the ERISA Section 103(a)(3)(C) audit does not affect its responsibility for the financial statements and for determining:
  - Section 103(a)(3)(C) audit is permissible
  - The investment information is prepared and certified by a qualified institution
  - The certification meets the requirements (complete and accurate, authorized signer, etc)
  - The certified information is appropriately measured, presented, and disclosed in accordance with the applicable financial reporting framework





# Auditor's Reports

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# Auditor's Reports

Reports are significantly longer:

- Management responsibilities
- More information on auditor responsibilities
- ERISA Section 103(a)(3)(C) is a two-pronged report



# Auditor's Report - non-Section 103(a)(3)(C) Audit

## New order of the report

- Auditor's Opinion
- Basis for Opinion
- Responsibilities of Management for the Financial Statements
  - Added language for going concern
  - Added language for maintaining a current plan instrument, administering the plan, determining plan transactions are presented and disclosed, maintaining sufficient participant records, and to determine when benefits are due or will become due
- Auditor's Responsibilities for the Audit of the Financial Statements
  - More detail on what an auditor does when performing an audit and the assurance obtained
- Supplemental Schedules



# Auditor's Report – ERISA Section 103(a)(3)(C) Audit

## New order of report

- Scope and Nature of the ERISA Section 103(a)(3)(C) Audit
  - New language - “We have performed audits....”, “ERISA Section 103(a)(3)(C)”
  - Management has determined it permissible to have Section 103 audit
  - Management has obtained certification from a qualified institution
- Auditor's Opinion (no longer a disclaimer of opinion)
  - Amounts and disclosures other than those certified are presented fairly
  - Information in the financial statements agrees to the information certified and determined by management meets the requirements of Section 103
- Basis for Opinion (used to be Basis for Disclaimer of Opinion)



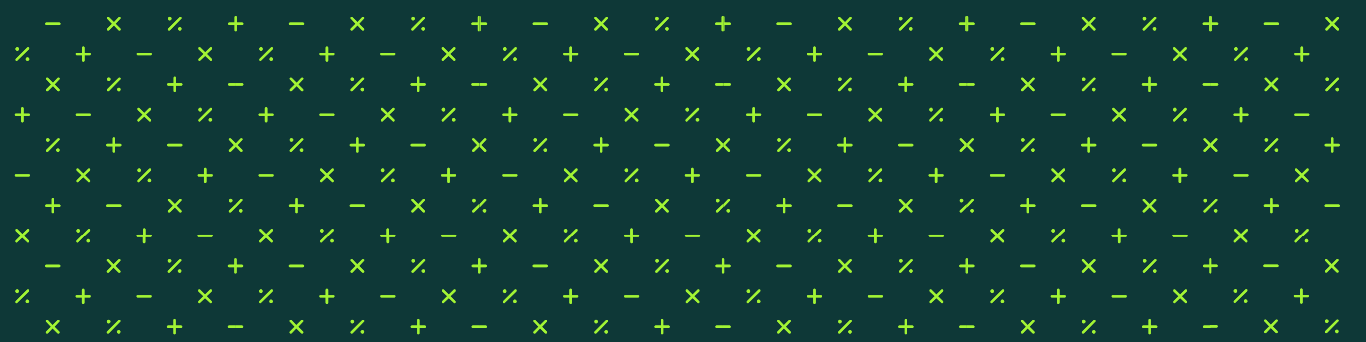
# Auditor's Report – ERISA Section 103(a)(3)(C) Audit (Cont'd)

## New order of report

- Responsibilities of Management for the Financial Statements
  - Added language for management's election of Section 103
  - Added language for going concern
  - Added language for maintaining a current plan instrument, administering the plan, determining plan transactions are presented and disclosed, maintaining sufficient participant records, and to determine when benefits are due or will become due
- Auditor's Responsibilities for the Audit of the Financial Statements
  - More detail on what an auditor does when performing an audit and the assurance obtained
  - Added language related to auditor procedures and objectives related to Section 103 audit
- Supplemental Schedules
  - More language added for certified information and auditor opinion on supplemental schedules







# Form 5500

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# Form 5500

- The auditor should obtain and read the **substantially complete** Form 5500 prior to dating the auditor's report to identify any material inconsistencies with the audited plan financial statements
- The auditor should communicate with those charged with governance the auditor's responsibility with respect to the Form 5500, those procedures performed, and the results of those procedures
- If material inconsistencies are identified, either the plan financial statements or the Form 5500 should be revised



# Form 5500 (Cont'd)

## ERISA Section 103(a)(3)(C) Audit

### Part III Accountant's Opinion

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1)  Unmodified (2)  Qualified (3)  Disclaimer (4)  Adverse

**b** Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1)  DOL Regulation 2520.103-8 (2)  DOL Regulation 2520.103-12(d) (3)  neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name:

(2) EIN:

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1)  This form is filed for a CCT, PSA, or MTIA. (2)  It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.



# Form 5500 (Cont'd)

## ERISA non-Section 103(a)(3)(C) Audit

### Part III Accountant's Opinion

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1)  Unmodified (2)  Qualified (3)  Disclaimer (4)  Adverse

**b** Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1)  DOL Regulation 2520.103-8 (2)  DOL Regulation 2520.103-12(d) (3)  neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

**c** Enter the name and EIN of the accountant (or accounting firm) below:

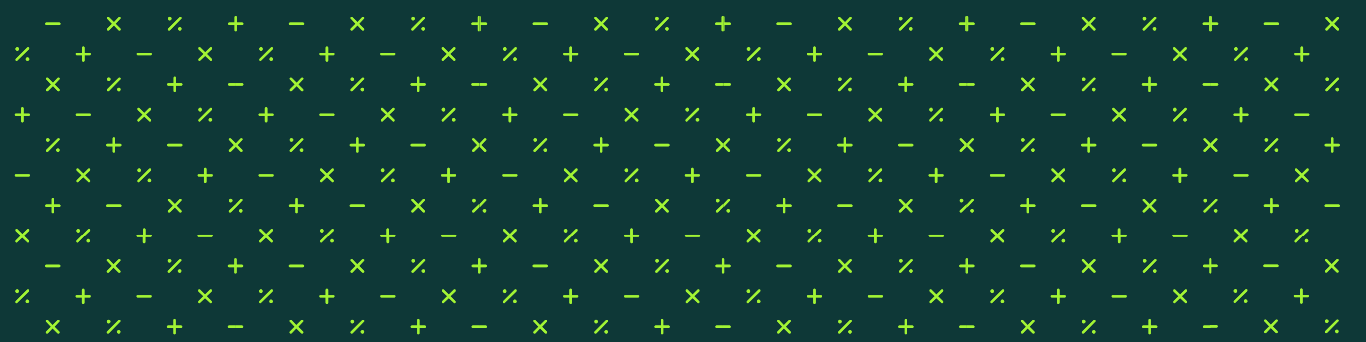
(1) Name:

(2) EIN:

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1)  This form is filed for a CCT, PSA, or MTIA. (2)  It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.





Questions?

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