



## **DOL Form 5500 – Early Warning Signs & Other Matters**

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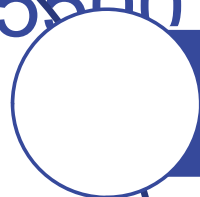
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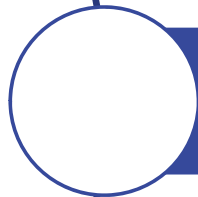
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## Early Warning Signs – DOL Form

5500



Net Cash Outflow from Contribution Revenue  
and Benefit Expense



Funding % Declining each year



Increase in Withdrawing Employers

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## Net Cash Outflow from Contribution Revenue and Benefit Expense-Schedule H

### Part II Income and Expense Statement

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

#### Income

##### a Contributions:

- (1) Received or receivable in cash from: (A) Employers .....  
 (B) Participants .....  
 (C) Others (including rollovers) .....  
 (2) Noncash contributions .....  
 (3) Total contributions. Add lines 2a(1)(A), (B), (C), and line 2a(2)

	(a) Amount	(b) Total
2a(1)(A)	4,119,368	
2a(1)(B)		
2a(1)(C)		
2a(2)		
2a(3)		4,119,368

#### Expenses

##### e Benefit payment and payments to provide benefits:

- (1) Directly to participants or beneficiaries, including direct rollovers .....  
 (2) To insurance carriers for the provision of benefits .....  
 (3) Other .....  
 (4) Total benefit payments. Add lines 2e(1) through (3) .....

2e(1)	30,786,490	
2e(2)		
2e(3)		
2e(4)		30,786,490

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**The American Pension Crisis  
an Alliance for Retired Americans Seminar  
November 19-20, 2019**

## Net Cash Outflow from Contribution Revenue and Benefit Expense-Schedule H

**b** "RPA '94" current liability/participant count breakdown:

- (1) For retired participants and beneficiaries receiving payment .....
- (2) For terminated vested participants .....
- (3) For active participants:
  - (a) Non-vested benefits .....
  - (b) Vested benefits .....
  - (c) Total active .....
- (4) Total .....

(1) Number of participants	
5,428	
4,024	
1,153	
10,605	

<b>5</b> Total number of participants at the beginning of the plan year	<b>5</b>	10,552
<b>6</b> Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1), 6a(2), 6b, 6c, and 6d).		
<b>a (1)</b> Total number of active participants at the beginning of the plan year .....	<b>6a(1)</b>	1,153
<b>a (2)</b> Total number of active participants at the end of the plan year .....	<b>6a(2)</b>	1,088
<b>b</b> Retired or separated participants receiving benefits .....	<b>6b</b>	4,822
<b>c</b> Other retired or separated participants entitled to future benefits .....	<b>6c</b>	3,785
<b>d</b> Subtotal. Add lines 6a(2), 6b, and 6c .....	<b>6d</b>	9,695
<b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits .....	<b>6e</b>	736
<b>f</b> Total. Add lines 6d and 6e .....	<b>6f</b>	10,431

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## Funding % Declining each year- Schedule MB

**4** Information on plan status:

**a** Funded percentage for monitoring plan's status (line 1b(2) divided by line 1c(3))

4a 33.70 %

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## Increase in Withdrawing Employers-Schedule R

<b>14</b> Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:		
<b>a</b> The current year .....	<b>14a</b>	2,593
<b>b</b> The plan year immediately preceding the current plan year .....	<b>14b</b>	2,572
<b>c</b> The second preceding plan year .....	<b>14c</b>	2,188
<b>15</b> Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:		
<b>a</b> The corresponding number for the plan year immediately preceding the current plan year .....	<b>15a</b>	
<b>b</b> The corresponding number for the second preceding plan year .....	<b>15b</b>	
<b>16</b> Information with respect to any employers who withdrew from the plan during the preceding plan year:		
<b>a</b> Enter the number of employers who withdrew during the preceding plan year .....	<b>16a</b>	2
<b>b</b> If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers .....	<b>16b</b>	435,273

## New Accounting Standard-Impact on Employee Benefit Plans



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

- **Effective Date – Audits of ERISA plan  
financial statements for periods ending  
on or after December 31, 2020**

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## SAS 136-Auditor's Responsibilities & Performance Requirements

*Engagement acceptance*, including obtaining the agreement of management acknowledging and understanding their responsibility for the plan, its administration and disclosures.

- Maintaining current plan instrument, including amendments
- Administering the plan and determining plan's transactions are in conformity with plan provisions

*Audit risk assessment* and an auditor's responses to identified risks.

- Procedures for "gaining and understanding sufficient to perform risk assessment procedures" should include reading the most current plan instrument (including effective amendments)

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## SAS 136-Auditor's Responsibilities & Performance Requirements

*Evaluation and reporting of prohibited party-in-interest transactions.*

*Evaluation of reportable findings such as noncompliance or internal control deficiencies.*

*1. Communications with management or those charged with governance related to reportable findings.*

- Communicate in writing, timely
- Included with other required communications (AU-C 250, 260, and 265)
- Communication should include:
  - Description of reportable finding
  - Sufficient information to enable Governance and Plan management to understand context
  - Explanation of potential effect on the financial statements or to the plan

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## SAS 136-Auditor's Responsibilities & Performance Requirements

***1.Procedures*** for an ERISA Section 103(a)(3)(C) audit, previously known as limited-scope audit, include determining:

- Audit is permissible under circumstances
- Investment certification is prepared and certified by QUALIFIED INSTITUTION
- Certification meets requirements of 29 CFR 2520-103-5
- Investment information certified is appropriately measured, presented and disclosed in accordance with applicable financial reporting framework

***1.Required written representations*** from plan management, should also include:

- Management has provided the most current plan instrument, including plan amendments
- Management acknowledges its responsibilities for administering the plan and determining that the plan's transactions that are presented and disclosed in the ERISA plan financial statements are in conformity with the plan's provisions (including maintaining sufficient records for each participant)

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## Auditor's Report - Significant Changes

Opinion section  
presented first, followed  
by "Basis for Opinion"

"Basis for Opinion"-  
includes a statement that  
auditor is required to be  
independent of entity  
and meet auditor's other  
ethical responsibilities

Management  
Responsibilities  
expanded (e.g. Going  
concern evaluation)

Auditor Responsibilities  
expanded (e.g. Going  
concern and  
communication with  
Governance)

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## Unmodified Opinion-Opinion Section

### *Opinion*

We have audited the financial statements of ABC 401(k) Plan, an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), which comprise the statements of net assets available for benefits as of December 31, 20X2 and 20X1, and the related statement of changes in net assets available for benefits for the year ended December 31, 20X2, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of ABC 401(k) Plan as of December 31, 20X2 and 20X1, and the changes in its net assets available for benefits for the year ended December 31, 20X2, in accordance with accounting principles generally accepted in the United States of America.

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## Unmodified Opinion-Basis for Opinion

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ABC 401(k) Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Unmodified Opinion-Management Responsibilities

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC 401(k) Plan's ability to continue as a going concern for [insert the time period set by the applicable financial reporting framework].

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

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## Unmodified Opinion-Auditor's Responsibilities

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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## Unmodified Opinion-Auditor's Responsibilities

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ABC 401(k) Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC 401(k) Plan's ability to continue as a going concern for a reasonable period of time.

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## Unmodified Opinion-Auditor's Responsibilities

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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## Supplemental Schedules

### *Other Matter—Supplemental Schedules Required by ERISA*

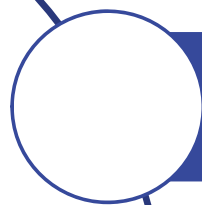
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of [*identify title of supplemental schedules and periods covered*] are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS.

In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

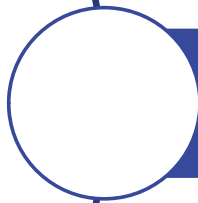
~~In our opinion, the information in the accompanying schedules is fairly stated, in all material respects, in relation to the financial statements as a whole, and the form and content are presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.~~

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## AICPA EBP Audit Guide – Multi-Employer Chapter



**Disclosure Requirements for Funded Status  
of the Plan**



**Presentation & Disclosure of Assessed  
Withdrawal Liability**



**Presentation & Disclosure of PBGC Financial  
Assistance**

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## Disclosure Requirements for Funded Status of

ME Plans are required to have an annual certification prepared by Plan's actuary as to the Plan's health (Zone Status) under the Pension Protection Act (PPA)

The PPA provided standardized benchmarks to assist the Plan's Board of Trustees recognize plan funding deficiencies

FASB ASC 715-80 requires disclosures for Employer, but not Plan

Divergence in practice as to whether to disclose the plan's financial health (Zone Status) in the Plan's financial statements

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## FinREC Recommendation

The financial statements should include a disclosure when the plan has been certified to be in critical or endangered status due to funding deficiencies

- Disclosure should also include a summary of the key provisions of the funding improvement or rehabilitation plan adopted by the Plan's Board of Trustees

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## Presentation & Disclosure of Assessed Withdrawal Liability

- Divergence in practice as to when to record a withdrawal liability receivable and disclosure requirements
- Likelihood that the assessed withdrawal liability will not be fully collected
- Many plans are recording cash basis
- Financial statements often do not include the appropriate disclosures

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## Presentation & Disclosure of Assessed Withdrawal Liability

- Assessed Withdrawal Liability
  - Plan should record the receivable, net of any allowance for an amount deemed uncollectible, when entitlement has been determined
  - The assessed withdrawal liability income is generally shown as a separate line item in the Income Statement

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## FinREC Recommendation

### Notes to Financial Statements should include

- General description of the assessed withdrawal liability,
- Assessed amount,
- General terms and conditions of payment, and
- Allowance for doubtful accounts, even if the likelihood of collection is remote when the assessed amount is formally written off.

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## Presentation & Disclosure of PBGC Financial Assistance

PBGC provides financial assistance to an insolvent ME DB Plan in the form of a loan to pay

- Participants their guaranteed benefits
- Plan's reasonable administrative expenses

Loan evidences by a promissory note, a security agreement, and is repayable with interest if and when the plan's financial condition improves

Divergence in practice exists as to whether the loan should be recorded on the plan's financial statement or just disclosed in the notes to the financial statements

## Presentation & Disclosure of PBGC Financial Assistance

Although it is unlikely that the loan would ever be repaid, it is a contractual obligation of the plan and would be recorded as a liability in the Balance Sheet with appropriate disclosures

*ASC 405-20 Extinguishments of Liabilities* a debtor shall derecognize a liability if and only if it has been extinguished by being relieved of its obligation for the liability or legally released from being the primary obligor under the liability

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# Questions

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