

2018 Peer Review Conference

Employee Benefit Plans Must-Select Update FAQs

Is there guidance on when an employer match should be submitted? If an employer makes a match for all but a few employees, does that require calculation of lost earnings?

In the scenario presented, it would appear that an error occurred as certain employees did not receive matching contributions and should have. Generally, the plan sponsor would research the issue and apply regulatory guidance available for voluntary correction of such errors.

The new checklist has bolded text regarding documentation of what can go wrong at the relevant assertion level. What if what can go wrong is not specifically documented for a relevant assertion? Should the engagement be considered nonconforming?

After the Conference, the Peer Review Board approved updated guidance that in essence states, non-compliance with the risk assessment standards should cause an engagement to be considered nonconforming for the purposes of a peer review. Failure to identify all risks for a relevant assertion, including failure to document all identified risks would constitute non-compliance with the risk assessment standards and therefore would be a nonconforming engagement.

Reviewers should be reminded that the checklist addresses questions with multiple bullets as follows: "Bulleted points are generally batched into one question on this checklist. The reviewer should weigh each bullet point separately and, in the aggregate, when concluding whether the professional standards requirement was met in all material respects. All 'No' answers must be thoroughly explained in section V, Explanation of 'No' Answers and Other Comments."

We often hear the terms materially nonconforming and nonconforming in peer review presentations. Is there a difference?

No. Peer Review Standards paragraph .66 states, "For each engagement reviewed, the review team should conclude on its review by documenting whether anything came to its attention that caused it to believe that the engagement was not performed or reported on in conformity with applicable professional standards in all material respects." Nonconforming is a term that is used to refer to an engagement that "was not performed or reported on in conformity with applicable professional standards in all material respects." Materially nonconforming, if used, would refer to the same type of engagement.

Can you address those H&W plans required to be audited and those not required to be audited? Wrapper plans are examples that must be considered.

Health and welfare plans can vary significantly depending on benefits, funding, operations and service provider arrangements. Where the plan entity and benefits/funding applicable to the entity have not been properly defined, an audit requirement may be overlooked, and/or the financial statements can be materially misstated. Peer reviewers should not hesitate to consult when they run into plan features and arrangements that he or she may not have seen in practice.

When a practitioner is selected for enhanced oversight, the practitioner is required to submit a complete set of work papers. The cost of having these copied, indexed, and



then shipped are currently the practitioner's responsibility. Should not the practitioner be reimbursed for these costs?

We offer to work with firms to find the easiest and most cost-effective way for the firm to provide the working papers. All firms can submit their working papers electronically. For firms who only use paper files, the most cost-effective method would be scanning their files and sending them electronically. We have not offered to reimburse firms for their costs to provide their working papers. We will discuss this issue with our task forces to determine if any further action is necessary.

If the standards do not require selecting each level of ERISA, why do we need to justify why we did not select every level?

While the team captain is not required to select multiple types of employee benefit plan audit engagements, Interpretation No. 59-1, does state that the peer reviewer should consider whether the engagement selection process has adequately addressed the risks associated with the various types of employee benefit plan audit engagements, for example limited versus full scope audits or defined benefit, defined contribution and voluntary health and welfare plans. If a firm has more than one of the preceding types of plans, the reviewer must consider the unique risks associated with that type of plan and document how these risks were addressed in the risk assessment.