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Form 11-K Audits: Best Practices for Examining Retirement Plan Financials

Complying With AICPA, PCAOB and SEC Rules From Engagement Letter Through Filing

WEDNESDAY, APRIL 18, 2012

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

Today's faculty features:

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Form 11-K Audits: Best Practices for Examining Retirement Plan Financials Seminar

April 18, 2012

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Today's Program

Rules For, Essential Features Of 11-K Audits *[Bertha Minnihan]*	Slide 7 - Slide 13
Common Pitfalls To Anticipate With 11-K Audits *[Donna Nevolo and Michael Kaplan]*	Slide 14 - Slide 59
Special Issues Arising For Auditors *[Brad Wall]*	Slide 60 - Slide 65

Bertha Minnihan, Moss Adams

RULES FOR, ESSENTIAL FEATURES OF 11-K AUDITS

Summary Of New Accounting And Auditing Standards Affecting 11-Ks

Accounting

- FASB ASU 2010-06, *Improving Disclosures about Fair Value Measurements*
  - Entities must separately disclose the following in the Level 3 activity roll-forward: Purchases, sales, issuances, settlements
  - In the period of adoption, comparative disclosures are not required.

Auditing

- SSAE 16 (formerly SAS 70), *Reporting on Controls at a Service Organization*
- PCAOB Accounting Standards Nos. 8-15, *risk assessment standards*
- SAS 118, 119, 120, *other information and supplemental schedules*

Note: SAS 119 does NOT affect the auditors' report used for the financial statements that accompany the Form 11-k filing with the SEC.

➢ However, a PCAOB auditing standard exposure draft will change wording in the future (PCAOB Release No. 2011-005, July 12, 2011) http://pcaobus.org/Rules/Rulemaking/Pages/Docket036.aspx

New Fee Disclosure Rules

Background

- DOL Issued *interim final rule* on July 15, 2010 and a *final rule* on Feb. 2, 2012 (the "Rule").
- Requires disclosure of compensation and potential conflicts of interest
- Initially set to become *effective July 16, 2011*
- Effective date ***extended to July 1, 2012***
- Will apply to all existing and future contracts or arrangements

New disclosures

- Reasonable contract or arrangement
- A *covered service provider* must disclose information to the relevant fiduciary.
- Plan can terminate the arrangement without penalty, on reasonably short notice.
- The rule applies only to ERISA-covered pension plans.
- Issuance of a final rule on health and welfare plans reserved

New Fee Disclosure Rules (Cont.)

Who is a covered service provider?

- Accountants, auditors, actuaries, appraisers, bankers
- Consultants, custodians, insurers, investment advisers, lawyers
- Recordkeepers, investment brokers, TPAs or valuation experts
- If they expect to receive *indirect compensation*

What is disclosed? Compensation in general

- Anything of monetary value (excluding non-monetary compensation valued at $250 or less)
- Monetary amount, formula, percentage of the covered plan's assets, or a per capita charge for each participant or beneficiary
- Payment received solely from the plan sponsor is not subject to disclosure requirements.
- Can be a reasonable and good faith estimate of compensation or cost, if the covered service provider cannot otherwise readily describe the compensation or cost; must explain the methods and assumptions used for the estimate
- Direct vs. indirect compensation

Essential Features Of 11-K Audits

- Engagement letters and approvals
- Preparation of auditor's opinion and performing audit
  - Full scope audit: SEC does not accept limited-scope opinions.
  - ERISA format: Two-year balance sheet and one-year income statement
  - First-year audit: Upgrade prior-year limited-scope opinion, if applicable
  - 11-K due 180 days after plan year end, not 7/31
- Completing consent
  - Should be dated close to date of filing, generally 3 to 5 days in advance of filing date
  - Change in auditors
  - New Form S-8 filed
- Converting 11-K report to file with Form 5500 for the DOL
  - Change reference from PCAOB to GAAS
  - Remove consents

Essential Features Of 11-K Audits (Cont.)

- Required communication: PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*
- Required for each “issuer”

Prior to the initial audit engagement:

- Describe in writing to the audit committee all relationships
- Discuss the potential effects of the relationships on independence
- Document the discussion

At least annually thereafter:

- The three items above, and
- Affirm to the audit committee that as of the date of the communication, the firm is independent

Web Site Resources

- PCAOB: http://pcaobus.org/
- SEC: http://www.sec.gov/
- AICPA EBPAQC: http://ebpaqc.aicpa.org/
- AICPA EBPAQC 11-K Audit resources: http://ebpaqc.aicpa.org/Resources/Accounting+and+Auditing+Resource+Centers/Form+11-K+Audits+Resource+Center.htm

Donna Nevolo, WithumSmith+Brown
Michael Kaplan, EisnerAmper

COMMON PITFALLS TO ANTICIPATE WITH 11-K AUDITS

Common Issues Or Mistakes Noted During Retirement Plan Audits

Topics covered:

1. Failure to follow the plan document
2. Failure to follow participant elections
3. Contribution issues
4. Distribution issues
5. Loans
6. Issues concerning non-discrimination/compliance testing
7. Fidelity bond issues

Failure To Follow The Plan Document

Plan officials must be familiar with the plan document to ensure that it is operating in accordance with its terms.

Not following the plan document is considered an operational error and could jeopardize the tax-favored treatment of the plan, if not corrected. Typical failures include:

Not following the plan's definition of compensation

- Compensation can include any or all of the following:
  - Wages and salaries
  - Bonuses and overtime
  - Fringe benefits (expense reimbursements, car allowances, etc.)
  - Commissions and tips
  - Fees for professional services
  - Other amounts for services rendered

Failure To Follow The Plan Document (Cont.)

- Compensation can have different definitions, per the plan document, when considering employee deferrals, employer contributions, benefit accruals, etc.
  - Are bonuses included for calculation of employee deferrals or for employer matching contributions? A plan can allow for employee deferrals on all compensation, while employer matching is only based on salaries and wages alone.
  - Profit sharing contributions can be based on compensation that differs from the compensation used in calculating matching contributions.
  - In a plan that accrues future benefits based on compensation, is overtime included? An error in determining eligible compensation can potentially skew the earned service calculations.

Failure To Follow The Plan Document (Cont.)

- Compensation is used in the calculation of the ADP and ACP non-discrimination testing and needs to be accurate, or the test results cannot be relied upon.

The payroll records of the company should identify the various types of compensation paid to employees to enable the proper calculation of eligible compensation, per the plan document. Payroll companies typically provide various codes to separately identify these different types of compensation.

Failure To Follow The Plan Document (Cont.)

Not following the eligibility requirements

- Know who is eligible to participate in the plan. Typical eligibility requirements include:
  - Months of service requirement (such as 3 months, or up to 1 year)
  - Hours requirement (1,000 hours)
- Plans can specifically exclude (or include) certain groups of employees:
  - Leased employees
  - Employees covered by a separate union plan
  - Employees of affiliated companies included?
- Eligibility requirements to begin deferrals can differ from those required for employer contributions.

Failure To Follow The Plan Document (Cont.)

- All employees meeting the eligibility requirements should be appropriately notified, in a timely manner, of their right to participate in the plan. Plan sponsors should maintain signed and dated documentation that the plan was offered to all eligible employees. Should an employee decide not to participate, signed declining participation forms should be maintained by the plan sponsor.
- The plan document can specify entry dates at various times during the year. Some plans allow for entry on any day of the year, while others only allow for specific entry dates (monthly, quarterly, etc.). Employees electing to participate in the plan should be entered on the first available entry date, once they have met the eligibility requirements.

Issues typically noted regarding eligibility include employers excluding certain eligible employees, including certain non-eligible employees; and not entering employees into the plan in a timely manner. Eligibility requirements should be understood by those responsible for notifying employees about the plan, in order to avoid errors in this area.

Failure To Follow The Plan Document (Cont.)

Improper disposition of forfeitures

- Forfeitures arise when an employee terminates employment and is not fully vested in the employer contributions allocated to his/her account.
- Plan documents typically specify the ways a plan can dispose or use forfeitures. Common ways:
  - Used as employer contributions
  - Allocated to remaining participants
  - Pay for plan administrative expenses
- Forfeitures should be disposed of within the year that the forfeiture occurred. The balance in the forfeiture account should not be allowed to accumulate for more than a year.
- A plan's failure to use forfeitures in a timely manner denies the plan participants additional benefits or reduced plan expenses.

Failure To Follow The Participant Elections

- Participants can elect to defer a percentage of compensation or a specific dollar amounts per pay period.
- Did they elect to defer on their bonus, too?
- Changes to participant deferral amounts or to their investment allocation elections should be communicated to the plan's third party administrator in a timely manner. Changes also need to be communicated into the payroll system.
- Online access for participant election

Contribution Issues

- **Timely remittance**
  - Employee deferrals are required to be remitted to the plan as soon as they can be reasonably segregated from the plan sponsor's assets.
  - There is no safe harbor for large plans.
  - Understanding the controls and procedures involved in processing contributions is critical for determining when the funds can be reasonably segregated.
  - Temporary changes to standard processing procedures (when the **one** person responsible for reconciling the deferrals is on vacation, unavailability of the **one** person with the authority to approve the wire transfer of funds, etc.) are not acceptable excuses for untimely remittances.
  - Have a backup plan to avoid delays in remitting deferrals. Delays can cause the participants to lose earnings on their investments.
  - Audit procedures typically include testing of timely remittances. Late deposits are required to be disclosed in a separate supplemental schedule in the audit report.

Contribution Issues (Cont.)

- **Deferrals per the plan sponsor's payroll records should be reviewed for appropriateness.**
  - Have any of the participants reached their deferral limits?
  - Were recent changes in participant deferral percentages properly reflected during the period?
  - Have deferrals appropriately stopped for employees receiving only disability or severance pay?
  - Have deferrals stopped for a period of six months following a hardship distribution?

Contribution Issues (Cont.)

- **Deferrals withheld should be reconciled to the amounts remitted to the plan, on pay period and annual bases.**
  - Confirmation of wire transfers from the plan's custodian should be maintained, and documentation provided as to when the funds were transmitted to the plan and the total amount of the remittance.
  - Any discrepancies between the amounts withheld per the payroll records and the amount accepted by the plan should be investigated, resolved and documented.
  - Audit procedures typically include review of the plan sponsor's annual reconciliation of deferrals to remittances. Deposits in transit at year-end are reflected as contributions receivable in the audited financial statements.

Contribution Issues (Cont.)

- **Errors in calculating employer contributions**
  - Various types of employer contributions - matching, discretionary, non-discretionary, profit sharing, etc.
  - Knowing the definition of compensation per the plan document is essential to proper calculation of employer contributions.
  - Contributions can be calculated on a pay period or annual basis.
  - Does the plan have a true-up option?
  - Is matching calculated from entry date, or is it based on the full-year compensation?
  - Allocation of profit sharing contributions are typically based on compensation.
  - Calculations should be reviewed for accuracy, prior to the funds being submitted to the plan's custodian.

Distribution Issues

Plans are established for the purpose for providing a means for saving for retirement and are, therefore, designed to limit the circumstances for withdrawals.

- Plan document identifies specific events that allow for distribution from the plan (termination of employment, disability, death, attaining the age of 59 1/2, hardship, etc.).
- The IRS specifies that a hardship distribution is required to satisfy a financial need that is characterized as “immediate and heavy,” a standard that can include any of the following:
  - Medical expenses
  - Purchase of a principal residence (excluding mortgage payments)
  - Repair damage to a principal residence
  - Payments to stop eviction from a principal residence
  - Funeral and burial expenses
  - Tuition and related educational fees

Distribution Issues (Cont.)

- If the plan document allows for hardship distributions, it:
  - Must specifically describe the type of hardship distributions that are allowed by the plan, but may exclude other items deemed immediate and heavy by the IRS
  - Can limit the specific funds available for hardship distributions (can be limited to employee elective deferrals and Roth contributions, or can be available from vested employer contributions and profit sharing)
- Hardship distributions typically require approval of the plan sponsor.
- The amount of the distribution can't exceed the total amount of the hardship.
- Appropriate supporting documentation of the specific hardship should be maintained by the plan sponsor, in order to support the approval or denial of the distribution.

Loans

- Considerations for participant loans
  - Approval of loans is typically required from the plan sponsor.
  - Repayments are made through payroll deductions, and the repayment schedule is typically provided by the third-party administrator.
  - Repayment information needs to be communicated to the payroll company (or the payroll department within the plan sponsor for in-house payroll) in a timely manner.
  - Periodic review of loan repayments should be performed to ensure consistent repayment in accordance with the repayment/amortization schedule.
  - Loans in default (payments have stopped or been significantly delayed) should be deemed distributions, which are a taxable event to the participant.
  - Deemed loans are no longer considered plan assets and should be recorded as distributions in the financial statements.
  - Audit procedures typically include testing the repayments of loans, by comparing the outstanding loan balances at year-end to the related repayment schedules.

Issues Concerning Non-Discrimination/Compliance Testing

Some of the most common mistakes made by plan sponsors involve the **timeliness** of the non-discrimination testing, the **accuracy** of the test results and the **completeness of the corrections** required.

- Traditional 401(k) plans are subject to **annual** testing to determine that the amounts of employee and employer contributions made by or on behalf of non-highly compensated employees (NHCEs) are proportional to those made by or on behalf of highly compensated employees (HCEs).

- Testing must be performed using accurate and complete data.

- Plans that fail the testing need to take corrective actions! Corrective actions must be approved by the plan sponsor.

Issues Concerning Non-Discrimination/Compliance Testing (Cont.)

- **The key component for accurate non-discrimination testing is a complete and accurate employee census for the plan sponsor.** Census information typically includes total service time; annual compensation; annual employee and employer deferrals; and dates of birth, hire, termination, etc.

- **It is important to properly identify highly compensated and key employees.**

Issues Concerning Non-Discrimination/Compliance Testing (Cont.)

- Common issues
  - Not properly identifying highly compensated or key employees
    - Includes employees who own 5% or more of the company
    - Employees earning compensation of $110,000 or more (for 2011)
    - Key employees for top-heavy plan testing are those earning $160,000 or more.
  - Not applying the correct definition of eligible compensation
  - Not taking the appropriate corrective action to bring the plan into compliance in a timely manner
    - Excess deferrals should be returned to participants, and other corrective actions need to be completed by the 15th day of the third month following the end of the plan's year (March 15 for calendar-year plans).

Fidelity Bond Issues

Who needs to be bonded?

- Sect. 412 of the Employee Retirement Income Security Act of 1974 (ERISA) requires that every plan official who “handles” funds or other property of an employee benefit plan be bonded. Bonding provides coverage for the plan against the risk that the funds or other property could be lost due to fraud, dishonesty or misappropriation.
- The term “handling” is more than the actual physical contact with the funds or other property of the plan. It also includes having the authority or the power to direct the “handling” activities. The general criteria for “handling” includes the following:
  - Physical contact or the power to exercise physical contact over cash, checks or similar property
  - Power to transfer funds or property
  - Authority to disburse funds or to direct the disbursement of funds or property
  - Authority to sign checks
  - Supervisory or decision-making responsibility over activities that require bonding
- It is important to understand the responsibilities of the individuals managing and administering the plan, when determining who specifically needs to be bonded.

Fidelity Bond Issues (Cont.)

Typically, plan officials who are required to be bonded include:

- Plan administrator
- Officers and employees of the plan sponsor who handle plan funds by means of receiving, safekeeping and disbursement
- Certain third-party service providers whose responsibilities allow access to plan funds or who have the ability to make certain decisions that could create loss through fraud
- Banks, insurance companies and registered brokered dealers are deemed to be plan officials but are subject to certain bonding exemptions under the Department of Labor (29 C.F.R. §2580.412-6).

Fidelity Bond Issues (Cont.)

What type of coverage is required?

- The plan (not the plan sponsor) must be named as the insured.
- The surety company providing the bond must be named on the Department of the Treasury's listing of approved sureties.
- The bond can name specific individuals or positions within the company, or can be a blanket bond that covers all officers and employees of the company.
- A plan can also be added as a named insured to an existing employer's
- "commercial crime policy," as long as it meets the requirements of Sect. 412.

Fidelity Bond Issues (Cont.)

What is the amount of coverage that is required?

- The bond limit required for each person that is required to be bonded must be:
  - At least equal to 10% of the plan assets at the beginning of each plan year
  - There is a minimum requirement of $1,000 and a maximum of $500,000.
  - The maximum amount increases to $1 million for plans that hold employer securities.
  - The secretary of labor can impose special bonding requirements specific to a certain plan.
  - A bond can insure more than one plan, provided that the amount of the coverage is at least the cumulative amount that would have been required for each plan if it had purchased separate bonds.

Fidelity Bond Issues (Cont.)

- ERISA guidance does not preclude a plan from purchasing a bond in excess of the maximum amounts.
- Fidelity bonds can be purchased from plan assets.
- Plan sponsors and fiduciaries should understand the fidelity bonding requirements and review their coverage on an annual basis, in order to make sure their current fidelity bond is sufficient and in compliance with the ERISA rules and regulations.
- Field Assistance Bulletin (FAB) No. 2008-04 provides guidance, in a question-and-answer format, regarding fidelity bonding and can be found on the DOL Web site under the technical guidance section of the EBSA at http://www.dol.gov/ebsa/regs/fab2008-4.html.

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Who Is A Fiduciary?

According to ERISA –
any person who exercises discretionary authority or control over plan assets or administration, or gives investment advice

Misconceptions With Regard To Responsibility – The Plan Sponsor

- Know who is a fiduciary and what his/her roles are
- Know your fiduciary responsibilities
- Know the essential elements of the plan
  - Read the plan document at least annually and anytime you are unsure about a provision in the plan

Misconceptions With Regard To Responsibility – The Plan Sponsor (Cont.)

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- A plan sponsor is responsible for operating the plan according to its provisions.
- Ensure that the recordkeeper, trust company and staff working on the plan are all following the written plan document
- A plan sponsor can outsource certain functions but can never outsource the responsibility and oversight of the plan.

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Fiduciary Duties

- **Exclusive benefit Rule** – To operate the plan for the exclusive benefit of plan participants and their beneficiaries
- **Prudent man rule -** ERISA 404(a)(1)(B) – With care, skill, prudence and diligence
- **Diversified and appropriate investments** – To manage the risk of loss of the investments
- **Pay reasonable plan expenses**

Misconceptions With Regard To Responsibility

Generally, plan sponsor:

- Determines provisions and how to operate
- Determines investment policy, including investment options
- Authorizes transactions
- Provides accurate and complete information (e.g., payroll records)
- Reviews output (e.g., distribution reports, trust statements)
- Establishes internal controls for the plan
- Evaluates service providers

Generally, service provider:

- Sets up plan on recordkeeping and/or trust systems based on plan provisions and investment options
- Receives and processes transactions according to instructions, information received and plan provisions
- Maintains plan and participant records
- Provides output (e.g., distribution reports, trust statements)

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SSAE 16 (SOC 1 – Type II) (SAS 70)

Report contains:

1) The service auditor's report
2) A description of the controls in place
3) The results of the service auditor's tests of controls
4) A list of user controls

SSAE 16 (SOC 1 – Type II) (SAS 70), Cont.

The service auditor’s report:

Should report on both the design and the operation of the controls in place

“In our opinion … ”

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SSAE 16 (SOC 1 – Type II) (SAS 70), Cont.

User controls – generally fall under four categories:

1) Controls relating to informing the service provider with whom they are authorized to speak.
2) Controls relating to logistical access
3) Controls regarding reviewing information before it is sent
4) Controls regarding reviewing reports once they have been received

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What Else Can Go Wrong?

- Internal controls
- ERISA accounts
  - Plan expenses vs. settler expenses
- Lack of documentation about …

ALL OF THE ABOVE!

Internal Controls

It is not enough to hire a good administrator with a clean SSAE 16 SOC 1 – Type II report.

It is not enough to review and establish user controls as listed in your service auditor's report.

Plan administrators still need to establish good internal controls over the plan.

Internal Controls (Cont.)

- Know the processes involved
  - Manual vs. automatic
  - Segregation of duties
  - Document

- Know the "soft spots"
  - Returned mail
  - Participants calling HR – Can you do this for me?

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ERISA Accounts

- Established as a place where excess revenue-sharing dollars can be deposited
- Typically is controlled by the plan sponsor
- Can be used by the plan to pay plan (fiduciary) expenses
- They don't always show up on the trust statement, even though they are plan assets and expenses.

Settler (Business) Vs. Fiduciary Expenses

Settlor

- Plan design
- Amendments for business reasons
- Plan termination

Fiduciary

- Determination letter
- Amendments to stay consistent with current law
- Communicating with participants

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Documentation

Best practice: Be sure to keep minutes of meetings

- The decision-making process and final decisions
- Investments
  - Selecting
  - Monitoring
  - Changing
- Internal controls
- Plan expenses

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I've made a mistake!

What do I do now!?

(The following is not legal advice. I will try and answer general questions as best I can. For specific questions about your plan or your situation, you should contact an ERISA attorney.)

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Correction Programs

Department of Labor

- VFCP: Voluntary Fiduciary Correction Program
- DFVCP: Delinquent Filer Voluntary Correction Program

http://www.dol.gov/ebsa/compliance_assistance.html#section8

Internal Revenue Service

- SCP: Self-Correction Program
- VCP: Voluntary Correction Program
- Audit CAP: Audit-Closing Agreement Program

http://www.irs.gov/pub/irs-tege/401k_mistakes.pdf

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Correction Programs (Cont.)

Department of Labor

- The VFCP is used when there is a prohibited transaction.
- The DOL Web site lists 19 specific prohibited transactions that fall under the VFCP.

Internal Revenue Service

- SCP and VCP are generally used to correct operational failures and errors.
- The IRS has issued a 401(k) “fix-it guide” to help sponsors.

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DOL: VFCP

Most common prohibited transactions covered by the VFCP:

- Delinquent participant contributions and participant loan repayments to pension plans
- Participant loans failing to comply with plan provisions for amount, duration or level of amortization
- Purchase of assets by plans from parties-in-interest
- Sale of assets by plans to parties-in-interest
- Improper payment of expenses by plan

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DOL: VFCP (Cont.)

The process – from DOL.gov:

- Identify any violations and determine whether they fall within the transactions covered by the VFCP
- Follow the process for correcting specific violations
- Calculate and restore any losses or profits with interest, if applicable, and distribute any supplemental benefits to participants
- File an application with the appropriate EBSA regional office that includes documentation showing evidence of corrective action taken

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DOL: VFCP (Cont.)

- Note that you correct first – then file under the VFCP

- You may also need to pay an excise tax.
  - There are exemptions from paying the excise tax.
  - See the DOL Web site or speak with an ERISA attorney

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IRS: SCP And VCP

SCP

- For operational errors only
- Insignificant errors can be corrected at any time.
- For significant operational errors, SCP can be used only two years from the date of the error.
- There is no fee for self-correcting.

VCP

- After the failure is identified, the plan sponsor proposes a correction along with a change to the procedures.
- Submit proposal to the IRS and pay a fee based on the number of participants in the plan
- After the IRS approves the proposal, the plan sponsor has 150 days to correct the failures.

Closing Thoughts

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- No plan Is perfect. Non-compliance happens.
- Plan management is responsible for maintaining compliance of the plan, which includes processes performed by third-party service providers.
- Document decisions and what was considered, when making decisions
- Don't go at it alone; use qualified professionals to help you

Brad Wall, Mohler, Nixon & Williams

SPECIAL ISSUES ARISING FOR AUDITORS

Independence Issues

I. Non-attest services are prohibited on SEC engagements.

II. Preparation of financial statements and support

    i. Prepared by plan sponsor personnel – usually Finance Department

    ii. Prepared by "outside consultant" – other accounting firm with ERISA experience

        i. Plan sponsor works with plan auditor to finalize the financial statements and submit the filing to the SEC.

    iii. Preparation of trial balance to support financial statement amounts

        i. Impact of adjusting journal entries

            i. Indicative of a breakdown in internal controls?

Time Management Issues

I. Dealing with multiple parties and their need to review the financial statements
    I. Plan sponsor
        I. Finance
        II. Human Resources
        III. Legal
    II. Plan auditor
    III. Set timeline and expectations

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Time Management Issues (Cont.)

I. Working with plan sponsor's Finance Department
   i. Preparation of ERISA financial statements - Once a year
   ii. Turnover can lead to retraining
   iii. Well-suited for disclosures related to certain items:
      i. Investments
      ii. New pronouncements
      iii. Auditor can provide disclosure checklist to assist.

Difficult-To-Audit Areas

I. Investments
   i. Full-scope audit requirement requires auditor to audit:
      I. Year-end valuation
      II. Income/loss earned during the period under audit
   ii. Some types of investments may not have readily determinable values:
      I. Common collective trusts (CCTs)
      II. Pooled separate accounts (PSAs)
      III. Unitized investments
      IV. Derivatives
      V. GICs
      VI. Other

Difficult-To-Audit Areas (Cont.)

I. Disclosures related to investments
   i. ASC 820 – Fair value
      I. Level 2 investments
      II. Level 3 investments
   ii. Net asset value (NAV) disclosures
   iii. Non-participant directed investments, if applicable
II. Other disclosures
   i. Related party/party-in-interest transactions
      I. Need to understand who meet the definitions