Legacy Advisor

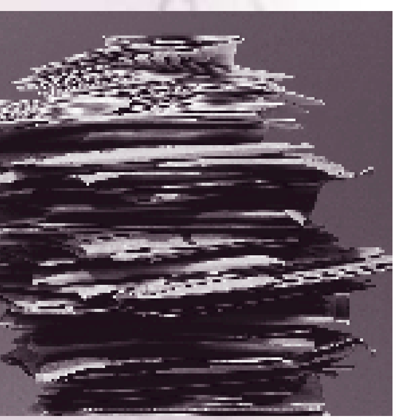
February 2004 Issue No. 04-1

BENEFIT PLANS

SAS 99

The Financial Accounting Standards Board (FASB) has recently issued Statement on Auditing Standards No. 99, "Consideration of Fraud in a Financial Statement Audit" (SAS 99), which replaces SAS 82. Under SAS 99, audits of periods beginning on or after December 15, 2002 must implement and document the following auditing procedures required by your CPA firm that will help to prevent and detect fraud. The auditors must:

1. **Hold a brain-storming session about possible fraudulent activities in the planning stages of an audit.**
2. **Obtain information necessary to identify risks of misstatement due to fraud.**
3. **Identify risks that may result in misstatement due to fraud.**
4. **Assess risks in light of organization's programs and controls.**
5. **Respond to results of assessment.**
6. **Evaluate audit evidence.**
7. **Communicate with management, audit committee, and others about concerns/findings.**
8. **Document their consideration of fraud.**



In addition to the above eight procedures that we will perform in an audit, we can evaluate your systems and procedures, provide internal control reviews, and provide a variety of other services designed to minimize exposure to, and losses from fraud. Please contact us if you have any questions or need any assistance in this area.

Edited by Rose G. Doherty, CPA
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Legacy News

Happy New Year to all of our clients and friends of the Firm. Legacy Professionals is very pleased to announce that on January 1, 2004, Greg Wallenbecker and Renee Berg Speck became partners of the Firm. We are also happy to have celebrated the first anniversary of Legacy Professionals LLP on January 20. Thank you to all of you for your business and support this past year.

Legacy's Year End Tax Releases, Annual Rates & Limits Release, and News Flashes are posted in the Publications section of the Firm's website, www.legacycpas.com. Please update your laminated 2004 Rates & Limits Release to reflect the Illinois Unemployment Tax wage base change from $9,000 to $9,800. This last minute change was announced on 12/29/03 and has been updated on our website. If you would like a hard copy of any of these releases, contact us at info@legacycpas.com.

Please also feel free to contact us with your ideas and comments about Legacy Advisor, Benefit Plans. Or, if you would like to submit an article or have a question, please let us know. You can contact Julie Tucek, our Marketing Director, or one of our editors, Larry Wojnarowicz, CPA or Louise King, CPA. We appreciate your input and look forward to your feedback. Please do not hesitate to contact us at any time if you need anything or if you have any feedback or suggestions for us.

- The partners and staff of Legacy Professionals LLP

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IFEBP Annual Conference Round-Up

Exhibitors

Legacy Professionals LLP exhibited at the International Foundation's 49th Annual Employee Benefits Conference November 7-12 at San Diego Convention Center in San Diego, California. Our booth, #636, was a hub of conversation and laughter as many of our clients and friends of the Firm stopped by to chat with Partners Bob Tiberi, Bruce Pavlik, and Jim Giemzik; and Marketing Director, Julie Tucek. This year's grand prize winner of an airline gift certificate was Pete Rosene of Rosene, Haugrud & Staab Chartered of St. Paul, Minnesota. Everyone else walked away with a Legacy swizzle pen and some Legacy lollypops!

Save the date (and please note the date change): Legacy plans to exhibit at the 2004 Annual Conference, which will be held September 17-22 in New Orleans.

Speakers

Partner Bruce Pavlik, a member of the IFEBP's Advisory Board and Financial Review Committee, was a panelist in a session called "Dispelling the Most Common 'Myth' Conceptions" (regarding benefit plans). Partner Jim Giemzik spoke at a session called "Differences in Accounting for Plan Types." Jim also moderated at the session "Preventing/Uncovering Fraud," a very hot topic as a result of the new SAS 99, "Consideration of Fraud in a Financial Statement Audit."

Relief for Delinquent 401(k) Contributions is Available

The Department of Labor (DOL) is taking an aggressive stance toward late remittances of salary deferral contributions for 401(k) plans. According to DOL Reg. 2510.3-102, employers are required to remit contributions to the plan as soon as they can be reasonably segregated from the employer's general assets, but no later than the 15th business day after the end of the month in which such amounts are withheld. As noted in the October 2003 Legacy Advisor Issue No. 03-1, Form 5500 requires the disclosure of late contributions. If employers do not comply with this regulation, they are engaging in a prohibited transaction. A plan that engages in a prohibited transaction may be subject to excise taxes and possible plan disqualification.

The DOL has implemented a Voluntary Fiduciary Correction Program (VFCP) which allows employers to correct certain ERISA violations with the assurance that the DOL will not bring civil action or impose penalties. Delinquent contributions to pension plans are covered under this program.

There are four basic steps in order to participate in the program -- determine the violation is covered under the program; follow the process for correcting the violation; calculate and restore to the plan any lost earnings with interest; and file an application with the Employee Benefits Security Administration. Applicants must restore the plan, participants, and beneficiaries to the condition they would have been in if the breach had not occurred. The application must include supporting documentation as outlined in the program.

As an incentive to participate in the program, the DOL has granted a class exemption providing relief from the excise tax imposed on certain transactions covered by the VFCP. Under very limited circumstances, late remittances of participants' contributions qualify for this exemption.

The program covers several fiduciary violations involving employee benefit plans and acceptable methods of correction. However, there are eligibility requirements and application procedures which must be followed in order to participate in the program. If you would like additional information regarding this matter, please don't hesitate to contact us.

By Denise Kennedy, CPA
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5500 Update

The Form 5500 and Form 5500 E-Z for plan year 2003 are essentially unchanged from 2002, according to a Labor Department news release. Minor modifications have been made to the instructions and attachments that are filed with the forms. John J. Canary, chief of the division of Coverage, Reporting, and Disclosure for DOL's Employee Benefits Security Administration reported on the changes at a December 16 American Institute of Certified Public Accountants conference. He said that the changes that have been made clarify the form or update the form to reflect law changes.

Forms, schedules, and instructions can be found on EBSA's website, www.efast.dol.gov. Contact us if you have any questions.

IRS Letter-Forwarding Program

The IRS now offers assistance to employers, administrators, and sponsors of qualified pension plans who have retained the Social Security number of the person they wish to contact, but whose address or whereabouts currently are unknown through its new Letter-Forwarding Program.

The IRS will search its database for a recent address and forward a letter to the missing person. This effort satisfies the reasonable steps requirement a plan must take before it can forfeit a participant's benefits.

For more information on the program, visit www.irs.gov/ep. Click on "More Topics" in the Topics section and click on the heading "Contact Missing Participants or Beneficiaries."

Reported by Donna A. Hubert, CPA
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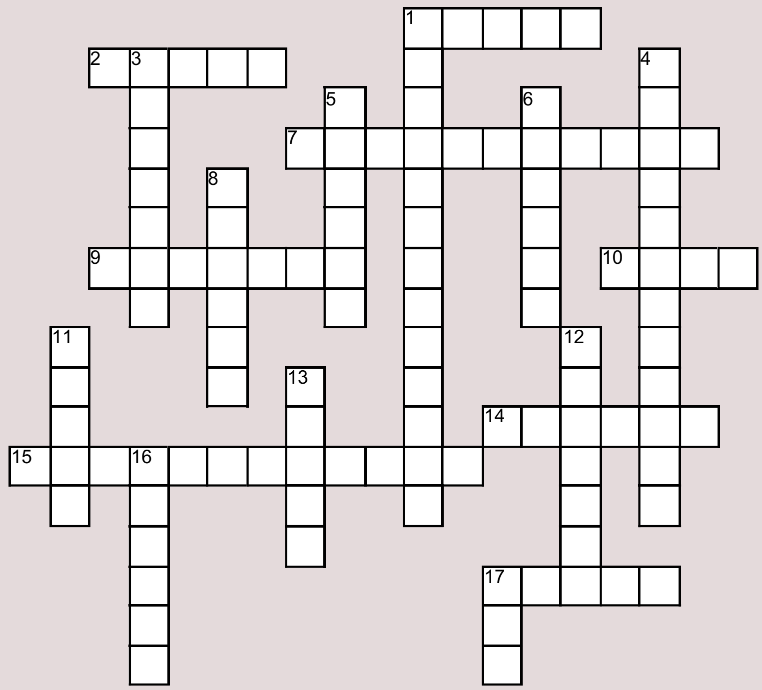
The Legacy Crossword



Across

1. Employer's Contribution to 401(k)
2. Abbreviation for the International Foundation of Employee Benefit Plans
7. Plan member
9. Can be multi or single employer plan
10. Editor of last issue of Legacy Advisor
14. Legacy partner who serves on the IFEBP Board as an Advisory Director
15. Last name of new male Legacy partner
17. Number of Legacy office locations

Down

1. ------ Taft-Hartley Plan
3. Number of Legacy partners
4. Addition to participant account
5. Last name of Minneapolis partner
6. ------ Employer Plan (one company fund)
8. Winner of Legacy booth drawing; Hint: visit legacycpas.com
11. Health Insurance Portability and Accounting Act
12. Second word of new name of Legacy Professionals' Quarterly Newsletter
13. New last name of new female Legacy partner
16. ------ Professionals LLP
17. New benefit plan form

Answers can be found at legacycpas.com.

The New Form T-1

Recently issued Department of Labor reporting requirements could substantially impact the accounting systems of certain employee benefit plans. Form T-1 Trust Annual Report will be required to be filed by a Labor Organization on behalf of each trust "in which it is interested." The instructions for Form T-1 further define those entities for which a report must be filed.

The new requirements place the reporting burden on labor organizations that file Department of Labor Form LM-2. The T-1 has reporting similar to the LM-2 in that it is cash based, includes officer and employee information, and reports major receipts and disbursements.

Plans filing Form 5500 are exempt from this new reporting requirement, but other funds are not. The effective date is now July 1, 2004. If you would like more information on Form T-1, its requirements, or its applicability to your Fund, please contact us.

Contact us at info@legacycpas.com if you'd like to receive Legacy Advisor via our email delivery program.

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