

10/13/2017

Pueblo City-County Library District Mail - GASB - Colorado PERA Audit Notification



Sherri Baca <sherri.baca@pueblolibrary.org>

## GASB - Colorado PERA Audit Notification

Lawrence Mundy <lmundy@copera.org>

Thu, Oct 5, 2017 at 5:49 PM

To: "sherri.baca@pueblolibrary.org" <sherri.baca@pueblolibrary.org>

October 5, 2017

Re: PERA-affiliated employer census data audits

Dear Sherri Baca,

The audit firm CliftonLarsonAllen, LLP, has been engaged by the Office of the State Auditor to audit the financial statements of the Colorado Public Employees' Retirement Association (PERA) as of and for the year ended December 31, 2017. In light of standards issued by the Government Accounting Standards Board for pensions and other postemployment benefits (OPEB), the AICPA updated the Audit and Accounting Guide for State and Local Governments with specific auditing considerations for pension and OPEB plans, such as PERA, and employers who participate in such plans. This guidance recommends PERA's auditors, CliftonLarsonAllen (CLA), to have employer auditors test the completeness and accuracy of census data provided to PERA by PERA-affiliated employers.

Pueblo City County Library District (PERA Reporting Agency # 936), was chosen by PERA's external plan auditor, CLA, to be included in its test sample of representative contributing employers. The above referenced guidance contains the suggested criteria used to determine the sample of representative contributing employers. It is important to note that the tests related to the completeness and accuracy of census data will be based on how your entity reports contributions to PERA (Your PERA Reporting Agency #). This doesn't necessarily coincide with the financial reporting entity(s) which are included in your financial statements.

PERA has worked with CLA and the Office of the State Auditor to establish the best process for completing these census data audits. Due to the number of PERA-affiliated employers, completing these audits is no small task, and our main objective is to ensure they are completed as cost-effectively and with minimal disruption to your operations. As such, CLA and the Office of the State Auditor recommends this work be completed by your audit firm since they are likely already performing tests on your payroll data and are familiar with your systems. It is likely this attestation work is incremental to the work already being performed. By having your existing firm perform the engagement, we are avoiding the need for your organization to enter into a new engagement agreement with another outside audit firm. The cost for this attestation work is your responsibility as the employer and the engagement letter, if deemed necessary, is the responsibility of the employer auditor and the employer.

Completing this census data testing, as discussed in the AICPA's Audit and Accounting Guide for State and Local Governments, will help ensure the information provided to PERA for purposes of complying with GASB 67 and GASB 74 is accurate and complete, and that the information PERA distributes to all PERA-affiliated employers for purposes of complying with GASB 68 and GASB 75 is accurate and complete.

It is important to note that regardless of the results of the census data audit, if it is determined at a later date that membership and/or includable salary were not correctly reported to Colorado PERA, the PERA-affiliated employer is responsible to Colorado PERA for employer contributions and interest on the employer and member contributions pursuant to Colorado Revised Statutes 24-51-101(42), 24-51-301 thru 24-51-310, 24-51-401, as well as, related Colorado PERA rules.

The enclosed sample audit program contains details of the type of census data to which your audit firm must attest. These census data items are included in your payroll records and the payroll transmission report currently used to report contributions to PERA. PERA-affiliated employers do not differentiate between pension and OPEB in their payroll transmission reports as PERA is responsible for allocating a portion of contributions to the appropriate OPEB fund. All PERA-affiliated employers who participate in the State, School, Local Government and Judicial Division Trust Funds also participate in the Health Care Trust Fund. As a result, the same test sample of representative employers are being used for both purposes and the attached sample materials are designed to convey information related to both pension and OPEB. Completed attestations will need to be provided to both Colorado PERA and CLA by March 30, 2018.

In order to facilitate this process, please acknowledge receipt of this message and provide the following information as it becomes available:



***DRAFT – For Discussion Purposes Only***

***Derived from AT 101, Appendix A, Examples 2 and 4***

Independent Accountant's Report

Board of Directors/Trustees

XYZ Employer

We have examined management's assertion that the significant elements of census data reported by XYZ Employer to Colorado Public Employees' Retirement Association (Colorado PERA) for the calendar year ended December 31, 2016 were complete and accurate based on the criteria included in the Colorado Revised Statutes 24-51-101(42), 24-51-301 through 24-51-310, and 24-51-401, and the Colorado PERA Rules. The significant elements of payroll census data reported to Colorado PERA during the calendar year ended December 31, 2016 were name, payroll period, social security number, Colorado PERA includable salary, and employee and employer contribution.

XYZ Employer's management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the criteria included in the Colorado Revised Statutes 24-51-101(42), 24-51-301 through 24-51-310, and, 24-51-401, and the Colorado PERA Rules.

This report is intended solely for the information and use of XYZ Employer, Colorado PERA and CliftonLarsonAllen and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]



**Introduction:**

This examination program was created utilizing Chapter 13 and 14 of the AICPA's Audit and Accounting Guide for State and Local Governments.

The PERA plan auditor, CliftonLarsonAllen (CLA), used the above guidance to determine those significant data elements related to census data provided by the participating employer to PERA. These data elements are critical to the completeness and accuracy assertions which provide sufficient reliable audit evidence to CLA for their audit opinion.

**Standards for testwork:**

According to the above guidance, the employer auditor will perform testwork of census data as part of an examination engagement in accordance with AICPA AT Section 101, *Attest Engagements*, CLA as the plan auditor, has provided a template to be considered for the independent auditor's reporting on the results of the census data testwork.

The auditor should ensure that he/she is incorporating all required areas included as part of Attestation engagements, including an engagement letter, management representation letter, if applicable, communication to governance and/or management, and etc.

Census Data Elements being tested are:

Report	Significant Elements
Colorado PERA Contribution Reporting (submitted thru PERA's information system) STARS	name, payroll period, social security number, PERA includable salary, employee contribution for period and employer contribution for period (calculated on a total basis)

**The following are procedures to perform:**

- (1) Identify the payroll registers and payroll cycles for the PERA Reporting Agency including all reporting units of the government and obtain an understanding of the PERA Reporting Agency's payroll accounting systems and systems of reporting information included in the payroll transmission reports submitted to Colorado Public Employees' Retirement Association (PERA) during the calendar year ended December 31, 2016.

*Note: the period of testing should cover the calendar year of 2016. Colorado PERA's actuary will use census data during this time period to compute the amounts on the Schedule of Collective Pension Amounts and the Schedule of Collective OPEB Amounts for the year-ended December 31, 2017. This approach is commonly referred*

*to as a roll-forward actuarial valuation and is discussed in GASB Statement No. 68 (paragraph 22 and 60 for single and cost-sharing employers, respectively) and GASB Statement No. 75 (paragraph 28 and 71 for single and cost-sharing employers, respectively).*

- (2) Obtain the population of employer payroll transmission reports submitted to PERA during the calendar year 2016 for active employees. Determine if the population received is complete compared to understanding of the employer's payroll registers and cycles. Select a sample of employer payroll transmission reports using attribute sampling guidance to verify the mathematical accuracy of reports and whether the correct contribution rates were used in accordance with applicable Colorado Revised Statutes 24-51-101(42), 24-51-301 thru 24-51-310, 24-51-401, as well as the related Colorado PERA Rules.

*To view the Colorado Revised Statutes, please visit*

*<https://www.copera.org/sites/default/files/documents/5-6.pdf>*

*To view the Colorado PERA rules, please visit*

*<https://www.copera.org/sites/default/files/documents/5-14.pdf>*

- (3) Obtain an understanding of reconciliations performed by the employer between the employer payroll transmission reports submitted to PERA and the corresponding employer payroll registers. Obtain the reconciliation(s) of employer payroll transmission reports submitted to PERA to the corresponding payroll registers that cover the entire calendar year 2016 to determine the completeness of the population of census data to be tested. Test the reconciliation(s) through re-performance. If multiple reconciliations are performed throughout the calendar year 2016 to correspond with the individual employer (payroll) transmission reports, select a sample to test through re-performance.
- (4) Obtain an understanding of the employer's process for enrolling new employees and reporting status changes to PERA [other than those reported through the employer payroll transmission reports].
- (5) From the populations of active employees obtained in (2) select samples using attribute sampling guidance of:
  - active employees - select ½ of the sample from the employer's payroll register and ½ of the sample from the employer (payroll) transmission reports throughout the calendar year 2016 and perform the following:
    - Agree details included in the applicable employer (payroll) transmission report (e.g. name, payroll period, social security number, PERA includable salary, employer contribution for period (calculated on a total basis), and

employee contribution for period) to the payroll register (or vice versa), and agree the underlying information to the human resource records.

- Determine whether the employee selected is eligible to participate in the plan based on the eligibility criteria included in the plan document (state statutes), or if not in the plan that they were properly excluded.
- Recalculate eligible compensation for the period of time that corresponds with the applicable employer (payroll) transmission report based on provisions (criteria) of C.R.S. 24-51-101(42) and PERA Rule 1.20F.

### **Finalizing the examination**

The auditor should use the template provided for *Written Assertion to be Obtained from Employer Management* to obtain acknowledgement of management's responsibilities. Report the results to CLA and PERA using the template for the *Independent Auditor's Report* prepared in accordance with AICPA *Attestation Standards*, AT Section 101. Results need to be reported directly to Brittany Smith ([brittany.smith@claconnect.com](mailto:brittany.smith@claconnect.com)) of CLA. Please copy PERA ([GASBMail@Copera.org](mailto:GASBMail@Copera.org)) on this communication.



October 16, 2017

Board of Trustees  
Pueblo City-County Library District  
100 E. Abriendo Avenue  
Pueblo, Colorado 81004-4232

This letter sets forth our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide for the Pueblo City-County Library District (the "District").

We will examine, in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion that significant elements of payroll census data reported by the District to the Colorado Public Employees' Retirement Association (PERA) for the year ended December 31, 2016, were complete and accurate based on the criteria included in Colorado Revised Statutes 24-51-101(42), 24-51-301 through 24-51-310, and 24-51-401, and *Colorado PERA Rules*. The significant elements of payroll census data reported to PERA were name, payroll period, social security number, PERA-includable salary, and employee and employer contributions.

We will perform our examination for the purpose of issuing a report stating whether, in our opinion, (a) management's assertion referred to above is fairly stated, in all material respects, based on the criteria included in Colorado Revised Statutes 24-51-101(42), 24-51-301 through 24-51-310, and 24-51-401, and *Colorado PERA Rules*, and (b) our examination provides a reasonable basis for our opinion.

Our examination will involve judgment about the number of transactions to be examined and the information to be tested, and will include other procedures as we consider necessary in the circumstances. We will plan and perform the examination to obtain reasonable rather than absolute assurance about whether management's assertion is free from material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or regulations that are attributable to the District or to acts by management or employees acting on behalf of the District.

Management is responsible for the completeness and accuracy of the District's payroll data, including the significant elements of payroll census data reported to PERA, which include the employee names, payroll periods, social security numbers, PERA-includable salaries, and employee and employer contributions.

Management is also responsible for providing us with (1) access to all information of which you are aware that is relevant to the examination, (2) additional information that we may request for the purpose of the examination, and (3) unrestricted access to persons within the District from whom we determine it necessary to obtain evidence.

At the conclusion of the engagement, management agrees to supply us with a representation letter that, among other things, will confirm management's assertion that the payroll census data reported to PERA is accurate and complete.

Our fees for these services will be at our standard hourly rates plus out-of-pocket costs, except that we agree that our maximum fee, including expenses, will not exceed \$3,000. These fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. Our invoices for these fees will be rendered as work progresses and are payable on presentation. Any rights that inure to the benefit of Swanhorst & Company LLC pursuant to this engagement letter shall inure to its committed successors an interest by way of merger, acquisition or otherwise.

We appreciate the opportunity to be of service to you. If you have any questions, please let us know.

Sincerely,



Swanhorst & Company LLC

## RESPONSE

This letter correctly sets forth the understanding of the Pueblo City-County Library District.

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_





Sherri Baca &lt;sherri.baca@pueblolibrary.org&gt;

**GASB - Colorado PERA Audit Notification**

Lawrence Mundy <lmundy@copera.org>  
To: Sherri Baca <sherri.baca@pueblolibrary.org>

Mon, Oct 9, 2017 at 11:17 AM

Hi Sherri,

Thank you for confirming you received the census data audit notification so quickly.

PERA has done quite a bit of thinking on the issue of who should bear the costs of the employer census data audit. I want to let you know this decision was not made without an extensive review. This is an audit of the employer's own data and payroll reporting. As such, PERA is unable to use pension trust funds to pay for this expense. Additionally, PERA has no contractual agreement with the employer's auditor, and there is no way for PERA to assess the work performed by the employer's auditor to know if the audit costs are reasonable. In the past, we investigated the possibility of having PERA's external auditor perform these audits. However, having the employer's auditor perform the audit is the least intrusive approach that could be taken as the employer's auditor is already familiar with the systems in place at the employer. We believe this approach will result in the lowest costs for everyone.

Please keep in mind that according to the AICPA's State and Local Government Audit Guide, the Pueblo City County Library District, PERA Reporting Agency # 936, is currently in the 10 year cycle to be selected for a census data audit. As a result, for the 2016 audit-period, the Pueblo City County Library District will bear audit costs while other employers will not. However, in the long-run all employers, with the exception of the group of employer's which constitute, in aggregate, the lowest 2%, will eventually be selected for the audit. In other words, employers in the long-run bear a cost according to their relative size (and materiality) to other employers in the Local Government Division.

We are certainly aware of the burden GASB 68 has put on our affiliated employers, as well as PERA itself. PERA has worked to ensure that we provide as many resources as possible to our affiliated employers so that they can comply with this accounting standard. PERA will continue to provide several calculated values to assist employers, including the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense amounts. PERA will also continue to prepare a schedule of employers' allocation percentages on an annual basis and related employer-specific contribution reconciliation reports to communicate the payroll submissions that were used to calculate the employer's allocation percentage. PERA will also continue to provide sample footnote disclosures about the pension trust fund which employers can choose to include in their financial statements.

In regards to GASB 75, PERA's external auditor has determined that the sample employer selection will cover the requirements of census data audits for both pension and OPEB for this period. PERA is expecting to provide employers similar information for the 2016 and 2017 reporting period for the health care trust funds as is provided for pension trust fund.

Our view is that PERA and PERA-Affiliated employers have a shared responsibility for the costs associated with these GASB Standards.

Please let me know if any additional questions about the census data audit arise. We have done extensive work on these reporting standards and are happy to help in any way we can.

Lawrence Mundy



Lawrence Mundy, CPA  
Chief Financial Officer

Colorado Public Employees' Retirement Association | 1301 Pennsylvania Street, Denver, CO 80203

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