

NEW MEXICO OFFICE OF THE STATE AUDITOR
 OSA VERSION - REPORT REVIEW GUIDE FOR REVIEWING AU-C 805
 REPORTS ON PARTICIPANT EMPLOYER ALLOCATION SCHEDULES
PENSION PLANS

This review guide should be used for reviewing the AU-C 805 reports on the Participant Employer Allocation Schedules produced by PERA and ERB pursuant to 2.2.2.10(Z)(1) NMAC (2018 Audit Rule)

AGENCY NAME (Indicate whether the report being reviewed is the PERA AU-C 805 Audit Report or the ERB AU-C 805 Audit Report)	AGENCY NUMBER/FISCAL YEAR	
NAME OF AUDITING FIRM	NAME OF AUDIT MANAGER	
NAME OF CONCURRING REVIEW AUDITING FIRM	NAME OF CONCURRING REVIEW AUDIT MANAGER	
DATE REPORT SUBMITTED TO STATE AUDITOR	Yes <input type="checkbox"/> No <input type="checkbox"/> Was the AU-C Report submitted to the OSA timely? (This question is N/A until the Audit Rule is updated to include the due date.)	
OPINION(S) RENDERED ON THE AU-C 805 AUDIT	DATE OF OPINION	NUMBER OF FINDINGS
Was a member of the governing body (or head of a state agency) present at the exit conference as required by Section 2.2.2.10(M) NMAC? If not, the compliance finding is reported on p. _____.		
		Yes <input type="checkbox"/> No <input type="checkbox"/>

Objective:

The objectives of this review guide are to ensure that the audit report follows: (1) the requirements of 2.2.2.10(Z) NMAC; and (2) the example provided by AU-C 9805 - AICPA Interpretation No. 1 “Auditor of Governmental Cost-Sharing Multiple-Employer Pension Plan,” to AU-C 805; and (3) provides the participant governments with the information necessary to prepare the disclosure required by GASBS 68 Illustration #3, Note Disclosures and Required Supplementary Information for a Cost-Sharing Employer (No Nonemployer Contributing Entities).

Instructions:

The agency and/or IPA should review the AU-C report by answering the questions below with a “yes” or “no” answer. Any “no” answers require further explanation from PERA, ERB or their respective AU-C 805 auditors. Pursuant to 2.2.2.9(A)(3) NMAC, the completed review guide should be submitted to the Office of the State Auditor along with the report.

Authoritative References:

- AU-C *U.S. Auditing Standards – AICPA (Clarified)*
- GASBS *Governmental Accounting Standards Board Statement*
- NMAC *New Mexico Administrative Code*
- 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies (Audit Rule 2018)*

Documents Required by the Office of the State Auditor	
Did the auditor submit an original bound hard copy of the AU-C 805 audit report along with a copy of the management representation letter pursuant to AU-C 805 .A13 and 2.2.2.(9)(A)(3) NMAC?	YES _____ NO _____ Comments: Page Ref:
Did the IPA complete a copy of this review guide and submit it to the OSA with the audit report pursuant to 2.2.2.(9)(A)(3) NMAC?	YES _____ NO _____ Comments: Page Ref:

1 Requirements for the AU-C 805 Audit Report from PERA and ERB pursuant to 2.2.2.10(Z) NMAC	
A. Elements of the Independent Auditor’s Report - (See the report example at AU-C Section 9805)	See below
(1) Does the title include the word <i>independent</i> ?	YES _____ NO _____ N/A _____ Comments: Pg. Ref.
(2) Is the report addressed to the State Auditor, the entity and the governing body (if applicable)?	YES _____ NO _____ N/A _____ Comments: Pg. Ref.
(3) Does the introductory paragraph state: “We have audited the accompanying schedule of employer allocations of the (<i>PERA or ERB</i>) the Pension Plan(s) as of and for the year ended June 30, 20XX, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the (<i>PERA or ERB</i>) Pension Plan as of and for the year ended June 30 20XX, and the related notes.”	YES _____ NO _____ N/A _____ Comments: Pg. Ref. _____
(4) Does a section with the heading “ Management’s Responsibility for the Schedules ” follow the introductory paragraph, and include the following wording? “Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in "the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error”	YES _____ NO _____ N/A _____ Comments: Pg. Ref. _____

<p>(5) Does a section with the heading “Auditor’s Responsibility” follow the previous paragraph and include the following paragraphs and wording?</p> <p>“Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatements.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amount by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer 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 the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.”</p>	<p>YES _____ NO _____ N/A _____ Comments: Pg. Ref. _____</p>
<p>(6) Is the previous information followed by the subheading “Opinions” with appropriate wording like the following if the opinion is unmodified?</p> <p>“In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the <i>(PERA or ERB)</i> pension Plan as of and for the year ended June 30, 20XX, in accordance with accounting principles generally accepted in the United States of America.”</p>	<p>YES _____ NO _____ N/A _____ Comments: Pg. Ref. _____</p>
<p>(7) Is there a paragraph with the subheading “Other Matter” after the opinion paragraph that has wording similar to the following (when PERA and ERB have unmodified opinions on their annual financial and compliance audits)?</p> <p>“We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the <i>(PERA or ERB)</i> Pension Plan as of and for the year ended June 30, 20XX, and our report thereon, dated XX/XX/XXXX, expressed an unmodified opinion on those financial statements.”</p>	<p>YES _____ NO _____ N/A _____ Comments: Pg. Ref. _____</p>

<p>(8) Is there a paragraph with the subheading “Restrictions on Use” after the other matters paragraph that has wording similar to the following? “Our report is intended solely for the information and use of (PERA, ERB and those charged with governance), the State of New Mexico Legislature (PERA or ERB) participating employers, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.”</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___
B. Schedules and Contents - (See the report example at AU-C Section 9805)	
<p>(1) Is there a schedule titled “Schedule of Employer Allocations”?</p>	YES ___ NO ___ N/A ___ Comments: Page Ref: ___
<p>(a) Does the “Schedule of Employer Allocations” have three columns: (1) that shows each employer; (2) each employer’s actual employer contributions; and (3) each employer’s allocation percentage based on the contributions shown?</p>	YES ___ NO ___ N/A ___ Comments: Page Ref: ___
<p>(b) In the column labeled “Actual Employer Contributions” do all the contribution amounts total to the amount shown at the bottom of the column?</p>	YES ___ NO ___ N/A ___ Comments: Page Ref: ___
<p>(c) In the column labeled “Employer Allocation Percentage” do all the percentages add up to 100%?</p>	YES ___ NO ___ N/A ___ Comments: Page Ref: ___
<p>(2) Is there a schedule titled “Schedule of Pension Amounts by Employer”?</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___
<p>(a) Does the first column on the left show each participant employer?</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___
<p>(b) Is the second column from the left “Net Pension Liability” by employer? And does the total amount of this column equal the total net pension liability for the entire plan?</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___
<p>(c) Do the next four columns show various “Deferred Outflows of Resources”?</p>	See below
<p>(i) “Differences Between Expected and Actual Experience” by employer?</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___
<p>(ii) “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” by employer?</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___
<p>(iii) “Changes of Assumptions” by employer?</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___
<p>(iv) “Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions” by employer?</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___
<p>(v) Is the next column the “Total Deferred Outflows of Resources” by employer?</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___
<p>(d) Do the next four columns show “Deferred Inflows of Resources” as listed below?</p>	See below
<p>(i) “Differences Between Expected and Actual Experience” by employer?</p>	YES ___ NO ___ N/A ___ Comments: Pg. Ref. ___

(ii) "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" by employer?	YES ____ NO ____ N/A ____ Comments: Pg. Ref. _____
(iii) "Changes of Assumptions" by employer?	YES ____ NO ____ N/A ____ Comments: Pg. Ref. _____
(iv) "Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions" by employer?	YES ____ NO ____ N/A ____ Comments: Pg. Ref. _____
(v) Is the next column the "Total Deferred Inflows of Resources" by employer?	YES ____ NO ____ N/A ____ Comments: Pg. Ref. _____
(e) Does the "Schedule of Pension Amounts by Employer" include a section labeled "Pension Expense" consisting of the following three columns?"	See below
(i) "Proportionate Share of Plan Pension Expense" by employer?	YES ____ NO ____ N/A ____ Comments: Page Ref: _____
(ii) "Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions" by employer?	YES ____ NO ____ N/A ____ Comments: Page Ref: _____
(iii) "Total Pension Expense" by employer?	YES ____ NO ____ N/A ____ Comments: Page Ref: _____
(f) Does each column described in (b) through (e) above show a total amount at the bottom of each column for all the employers?	YES ____ NO ____ N/A ____ Comments: Page Ref: _____
(g) Do the amounts shown in the columns add down and across? (test a few columns and rows)	YES ____ NO ____ N/A ____ Comments: Page Ref: _____
(3) Test the amortization amounts to be sure that they total to the sum of the current year additions to the deferred outflow and deferred inflow of resources that will be amortized in the future.	YES ____ NO ____ N/A ____ Comments: Page Ref: _____
(4) Is there a schedule presenting the following pursuant to GASBS 68.80(i)?	See below
(a) For each subsequent five years, and in the aggregate thereafter, the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources in GASBS 68.80 subparagraph (h) that will be recognized in the employer's pension liability?	YES ____ NO ____ N/A ____ Comments: Page Ref: _____
C. Additional Required Information for Participant Employers	See below
(1) For each participating employer, is the employer's proportionate share disclosed of the collective net pension liability calculated using (a) a discount rate that is 1 -percentage-point higher; and (b) a discount rate that is 1-percentage-point lower? (GASBS 68.78(g))	YES ____ NO ____ N/A ____ Comments: Page Ref: _____
(2) Regarding an employer's portion of the collective net pension liability, is the basis on which the proportion was determined disclosed, and any change in an employer's proportion since the prior measurement date (if applicable)? (GASBS 68.80(b))	YES ____ NO ____ N/A ____ Comments: Page Ref: _____

D. Exit Conference	See below
(1) Are the date of the exit conference and the names and titles of those in attendance at the exit conference listed on the last page of the audit report? (Section 2.2.2.10(M)(1) NMAC)	YES ____ NO ____ N/A ____ Comments: Page Ref: _____
(2) If a quorum of a public body subject to the Open Meetings Act was present at the exit conference, was the exit conference held in a closed meeting to preserve the confidentiality of the information? If so, the disclosure should state that it was held in a closed session. If not, is there a related finding for noncompliance with the Open Meetings Act? (Section 2.2.2.10(M)(1-3) NMAC)	YES ____ NO ____ N/A ____ Comments: Page Ref: _____

Note: When this review guide is used by PERA or ERB’s audit firm, it should be completed and signed by the audit manager or the audit firm employee in charge of the firm’s quality control system and the concurring reviewer by the outside IPA firm.

I hereby certify that the employer allocations of PERA or ERB’s Pension Plan and related notes were presented in accordance with applicable auditing, accounting and financial reporting standards, and 2.2.2 NMAC. I also certify that all of the questions noted above were answered correctly, page numbers were properly referenced for all “yes” answers, and all answers were fully explained or corrected.

IPA:

Print Name

Title

Signature

Date

Concurring Reviewer by outside IPA firm:

Print Name

Title

Signature

Date