

**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(Y)(1) NMAC (2020 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		
DATE REPORT SUBMITTED TO STATE AUDITOR	Yes <input type="checkbox"/> No <input type="checkbox"/> Was the AU-C Report submitted to the OSA timely?		
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(Y) 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 2020)*
- AAG-GAS *AICPA Audit and Accounting Guide: Government Auditing Standards and Single Audits (3/1/2019)*

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(Y) 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	YES _____ NO _____ N/A _____ Comments: _____

<p>preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error”</p>	<p>Pg. Ref. _____</p>
<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:</p> <p>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:</p> <p>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:</p> <p>Pg. Ref. _____</p>

<p>(8) Continuing under the subheading “Other Matters,” do the following paragraphs regarding the Supplemental Information (SI) include the following elements pursuant to AU-C 725.09(a) to (d)?</p> <p>.09a The audit was conducted for the purpose of forming opinions on the audits of the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer;</p> <p>.09b The SI [list schedules] is presented for purposes of additional analysis and is not a required part of the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer;</p> <p>.09c. The SI is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer; and</p> <p>.09d. The SI has been subjected to the auditing procedures applied in the audit of the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer or to the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America.</p> <p>.09e. If the auditor issues an unmodified opinion on the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer and the auditor has concluded that the SI is fairly stated, in all material respects, in relation to the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer as a whole, is there a statement that, in the auditor’s opinion, the SI [list schedules] is fairly stated, in all material respects, in relation to the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer as a whole?</p> <p>.09f. & .11 If the auditor issues a qualified, adverse or disclaimer of opinion on the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer, did the IPA include the applicable statements from AU-C 725.09(f) or 725.11, as applicable?</p>	<p>YES _____ NO _____ N/A _____ Comments:</p> <p>Pg. Ref. _____</p>
<p>(9) Is there a paragraph with the subheading “Restrictions on Use” after the other matters paragraph that has wording similar to the following?</p> <p>“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>	<p>YES _____ NO _____ N/A _____ Comments:</p> <p>Pg. Ref. _____</p>
<p>(10) Is there a paragraph with the subheading “Other Reporting Required by Government Auditing Standards,” pursuant to AU-C 700.37 and .A32? An paragraph example follows:</p> <p>In accordance with Government Auditing Standards, we have also issued our report dated XX/XX/XX on our consideration of (PERA or ERB)’s</p>	<p>YES _____ NO _____ N/A _____ Comments:</p> <p>Pg. Ref. _____</p>

internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering (<i>PERA or ERB</i>)’s internal control over financial reporting and compliance.	
(11) Does the report include the manual or printed signature of the auditor’s firm?	YES____ NO____ N/A____ Comments: Pg. Ref. _____
(12) Does the report include the name of the city and state where the auditor practices? (If the information appears in the letterhead, that is sufficient)	YES____ NO____ N/A____ Comments: Pg. Ref. _____
B. Schedules and Contents - (See the report example at AU-C Section 9805)	See below
(1) Is there a schedule titled “Schedule of Employer Allocations”?	YES____ NO____ N/A____ Comments: Page Ref: _____
(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?	YES____ NO____ N/A____ Comments: Page Ref: _____
(b) In the column labeled “Actual Employer Contributions” do all the contribution amounts total to the amount shown at the bottom of the column?	YES____ NO____ N/A____ Comments: Page Ref: _____
(c) In the column labeled “Employer Allocation Percentage” do all the percentages add up to 100%?	YES____ NO____ N/A____ Comments: Page Ref: _____
(2) Is there a schedule titled “Schedule of Pension Amounts by Employer”?	YES____ NO____ N/A____ Comments: Pg. Ref. _____
(a) Does the first column on the left show each participant employer?	YES____ NO____ N/A____ Comments: Pg. Ref. _____
(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?	YES____ NO____ N/A____ Comments: Pg. Ref. _____
(c) Do the next four columns show various “Deferred Outflows of Resources”?	See below
(i) “Differences Between Expected and Actual Experience” by employer?	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 Outflows of Resources” by employer?	YES____ NO____ N/A____ Comments: Pg. Ref. _____

(d) Do the next four columns show “Deferred Inflows of Resources” as listed below?	See below
(i) “Differences Between Expected and Actual Experience” by employer?	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: _____

<p>D. Note Disclosures</p> <p>(1) Does the note disclosures detail each component of allocable pension expense at the fund level, excluding employer-specific pension expense for changes in proportion plan?</p> <p>(2) Does the note disclosures include a detailed collective fund-level deferred outflows of resources and deferred inflows of resources by fund?</p> <p>(3) Does the note disclosures include a summary of changes in the collective deferred and inflows and outflows of resources (excluding employer specific amounts), by year of deferral?</p>	<p>YES _____ NO _____ N/A _____</p> <p>Comments:</p> <p>Page Ref: _____</p>
<p>E. Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Schedules Performed in Accordance with Government Auditing Standards</p> <p>These reports should follow the examples available from the latest version of the AAG GAS Chapter 4 Appendix.</p>	
<p>(1) Example report wording is provided below for instances with “no material weaknesses identified; no significant deficiencies, no reportable instances of noncompliance or other matters identified” (AAG GAS 4.89 Example 4-3). Refer to the other examples provided in the AAG GAS 4.89 Appendix as needed based on the types of findings.</p>	<p>YES _____ NO _____ N/A _____</p> <p>Comments:</p> <p>Page Ref: _____</p>
<p style="text-align: center;">Independent Auditor’s Report</p> <p>[Appropriate Addressee]</p> <p>We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer of (<i>PERA or ERB</i>) as of and for the year ended June 30, 20XX, and the related notes and have issued our report thereon dated month day, 20XX.</p> <p>Internal Control Over Financial Reporting</p> <p>In planning and performing our audit of the schedules of employer allocations and the specified column totals in the schedule of pension amounts by employer, we considered (<i>PERA or ERB</i>)’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer, but not for the purpose of expressing an opinion on the effectiveness of (<i>PERA or ERB</i>)’s internal control. Accordingly, we do not express an opinion on the effectiveness of (<i>PERA or ERB</i>)’s internal control.</p> <p>A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.</p>	

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether (PERA or ERB)’s the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the schedule of employer allocations and the specified column totals in the schedule of pension amounts by employer amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Auditor’s signature]
 [Auditor’s city and state]
 [Date of the auditor’s report]

F. 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