STATE OF WISCONSIN
Legislative Audit Bureau

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Joe Chrisman
State Auditor

DATE: July 15, 2015

TO: Participating Employers in the Wisconsin Retirement System

FROM: Joe Chrisman
State Auditor

SUBJECT: Scope of Audit Work Required of the Plan Auditor by GASB 67 and 68

At the request of the Department of Employee Trust Funds (ETF), this memorandum describes the general scope of audit work that will be performed by the nonpartisan Legislative Audit Bureau (LAB) as the "plan auditor" for the Wisconsin Retirement System (WRS) under Governmental Accounting Standards Board (GASB) Statement No. 67 and No. 68. Each participating WRS employer should provide a copy of this memorandum to the independent auditor it engages to perform audit work related to its financial statements. Each employer's auditor should also be informed this is not a "group audit" under applicable auditing standards.

LAB is currently conducting a financial audit of ETF for calendar year 2014. LAB and ETF have agreed that the financial statements of the WRS for calendar year 2014, and LAB's audit opinion on them, will be published by LAB and made available upon release on LAB's website. In addition, LAB and ETF have agreed that LAB will perform an audit of the Schedule of Employer Allocations and the total amounts reported in the Schedule of Collective Pension Amounts for calendar year 2014. These schedules and LAB's audit opinion on them, which will be made available upon release on ETF's website, will be used by each participating employer in the WRS to prepare its financial statements as required by GASB Statement No. 68.

ETF's financial statements, required supplementary information, and WRS schedules include significant information provided by ETF's consulting actuary. LAB has hired a separate actuarial firm, Segal Consulting, as its "auditor specialist" to provide audit evidence as to the actuarial assumptions and methods used in calculating amounts required to be reported for the WRS. The work of the auditor specialist will be used as evidence in supporting LAB's audit opinions and, in accordance with audit standards, LAB's audit opinions are the sole responsibility of LAB.

In performing these audits, LAB follows generally accepted auditing standards issued by the American Institute of Certified Public Accountants and *Government Auditing Standards*, which is issued by the Comptroller General of the United States. Every three years, through the National State Auditors Association, LAB's peers from other states review LAB's internal quality control system and audit documentation from selected financial audits for compliance with auditing standards. LAB's successful peer review report is available on LAB's website.

Additional information about the GASB standards is included in the attached document. Additional information about LAB is available online at www.legis.wisconsin.gov/lab. Questions concerning LAB's audit work for ETF and the WRS may be directed to Joe Chrisman, State Auditor, at (608) 266-2818 or at asklab@legis.wisconsin.gov.

GASB 68 Information Sheet for WRS Employers

The Wisconsin Legislative Audit Bureau (LAB), as the plan auditor, is currently conducting a financial statement audit of the Wisconsin Retirement System (WRS) for calendar year 2014. In addition, the Department of Employee Trust Funds (ETF) has engaged LAB to audit the Schedule of Employer Allocations and the total amounts reported in the Schedule of Collective Pension Amounts for calendar year 2014. Although this information sheet summarizes certain information regarding the employer auditor's responsibilities when relying on LAB's audits, it is the responsibility of the employer auditors to be thoroughly knowledgeable about all applicable requirements of all relevant standards, including those not summarized here.

- In accordance with the AICPA Pension Whitepaper, *Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting* and AU-C Section 9805 *Special Considerations–Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement: Auditing Interpretations of AU-C Section 805*, LAB plans to issue an opinion on the schedules in accordance with AU-C section 805.

- In accordance with AU-C Section 9600, *Special Considerations–Audits of Group Financial Statements (Including the work of Component Auditors): Auditing Interpretations of AU-C Section 600*, the WRS is not considered a component for purposes of AU-C Section 600 related to group audit situations.

- In accordance with the Whitepaper, and as further described in AU-C Section 9500, *Audit Evidence: Auditing Interpretations of AU-C Section 500*, the employer and employer auditor may use LAB's report on the schedules to provide evidence that the pension amounts allocated to the employer and included in the employer's financial statements are not materially misstated.

- The standards also direct that the employer auditor should take the following steps before using the work of LAB as evidence:

    - evaluate whether LAB's report and the accompanying schedules are adequate and appropriate for the employer auditor's purposes (e.g. the employer auditor may review LAB's report and any related opinion modifications and assess other matters discussed in the report);

    - evaluate whether LAB has the necessary competence and independence for the employer auditor's purposes; and

    - verify and recalculate amounts specific to the applicable employer, including the employer amount used in the allocation percentage, recalculate the allocation percentage for the employer, and recalculate the pension amounts allocated to the employer based on the allocation percentage.

The 2015 *AICPA Audit and Accounting Guide for State and Local Governments*, Chapter 13 Defined Benefit Pension Plans (Plan & Employer Considerations), includes additional guidance for employers when auditing pension information included in the employer's financial statements.