

MEMORANDUM #20, 2008

Commonwealth of Massachusetts | Public Employee Retirement Administration Commission
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Joseph E. Connarton, *Executive Director*

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Procedures for Retirement System Audits Performed by Certified Public Accounting Firms Authorized Under Chapter 32, Section 21(1)(a)

DATE: May 28, 2008

The following sets forth the procedures for those retirement systems that elect to have audits performed by Certified Public Accounting firms in lieu or in conjunction with the tri-annual audits performed by the Public Employee Retirement Administration Commission (PERAC), as authorized under Chapter 32, Section 21(1)(a).

The selection of the vendor, by the board must be made through a procurement process. The retirement board must issue an RFP and advertise to obtain services to perform a financial and managerial audit of the system. Such RFP should contain the requirements and conditions of PERAC listed below, including a requirement for the submission of the completed Internal Control Questionnaire ("ICQ"). The contractual relationship must exist between the retirement board and the CPA firm. Upon the completion of the RFP process the following events must take place after the contract is awarded;

1. Written notification is made to PERAC stating the name and address of the vendor selected, the period to be covered by the audit and the expected completion date of the audit.
2. The vendor may request a meeting with PERAC prior to commencing such audit to discuss any issues relating to the audit, including a review of the prior audit, the ICQ and the generally accepted audit standards applied under the audits conducted in accordance with the procedures established by the Commission.
3. Once the vendor has completed the audit and has presented the audit to the retirement system; the vendor, within ten days, must submit a copy of the written audit report to PERAC which will include financial statements of the system for each of the years audited and any management letter relating to such audit, a completed ICQ, as well as a statement related to responses included in the ICQ.
4. Within 30 days after the submission of the audit report and ICQ to PERAC, the vendor must meet with a designated PERAC auditor. At such time, review of the audit report and audit work papers will be conducted to determine whether any additional audit work must be performed by the PERAC audit staff in order to insure that the audit is completed in conformance with the requirements of c. 32. PERAC reserves the right to conduct a separate audit notwithstanding the completion of a private audit.
5. PERAC will notify the retirement board and vendor that the audit is accepted or requires a supplemental examination in accordance with Chapter 32, Section 21(1)(a). An electronic copy of such accepted audit report

should be sent to PERAC for posting on the PERAC website.

Enclosed is the recently updated ICQ that is referenced above, PERAC will maintain the latest version on our website at www.mass.gov/perac/.

If you have any further questions regarding this matter, do not hesitate to contact me.

Enclosure

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