

MEMORANDUM

TO: All Retirement Boards

FROM: John W. Parsons, Esq., Executive Director

RE: Audits

DATE: June 21, 2019

Over the course of the last several months, the Public Employee Retirement Administration Commission (PERAC) has been discussing various strategies to expedite audits of the retirement systems while assuring that these reviews are comprehensive and helpful to the retirement boards. At its meeting of April 10, 2019, the Commission approved an approach that targets high risk areas, avoids duplication with private work, and will produce more timely substantive reports.

In keeping with national trends in the audit industry, PERAC will tailor its audits by taking into account the risk level of the system to be audited. A key aspect of this new approach will be the review and, when warranted, acceptance of audits performed by private firms in lieu of segments of the PERAC audit. Although this acceptance has been incorporated into law and regulation for several years it has not attained widespread use. PERAC believes that increasing the use of private audits will enable more frequent assessment of the systems' condition and the earlier detection and correction of deficiencies. Retirement boards are encouraged to retain private auditors and employ those auditors to conduct annual audits of the system. The parameters of the PERAC audit in such instances will be assessed in light of those private audits. We would anticipate that as a result, the PERAC audit will be less onerous for the Board while the level of scrutiny of the condition of the system is enhanced by the annual review.

In addition to whether or not the system has been audited in the intervening period, other risk factors that will bear on the determination of the level of review to be conducted include staff stability, findings in prior audits, asset management practices, and ongoing



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compliance with statute and regulation as assessed by various PERAC Units. Other considerations including timely filing of accounting information and the Annual Statement will also be taken into account. Obviously, the Commission in its discretion can make determinations as circumstances dictate.

We believe that this revision to past practice will lead to better management of the retirement systems as retirement boards receive regular, comprehensive, and targeted evaluations on steps to improve system administration. Thank you for your anticipated cooperation.