



National Association of State Auditors, Comptrollers and Treasurers

March 7, 2014

Bruce Webb, Chair
AICPA Auditing Standards Board
1211 Avenue of the Americas
New York, NY 10036-8775

Dear Mr. Webb:

On behalf of the members of the National Association of State Auditors, Comptrollers and Treasurers, I am writing to express our concern over auditing guidance currently being developed by the AICPA for agent multiple-employer pension plans for state and local governments.

The Governmental Accounting Standards Board issued Statements 67 and 68 in June 2012. These new standards dramatically changed accounting and financial reporting for state and local government pension plans. Statement 67, *Financial Reporting for Pension Plans*, applies to the pension plans and is effective for financial statements for fiscal years beginning after June 15, 2013. Statement 68, *Accounting and Financial Reporting for Pensions*, applies to employers who participate in the pension plans and is effective for fiscal years beginning after June 15, 2014.

Under the new GASB standards, employers participating in multiple-employer plans must now report their share of the plan's cumulative net pension liability in their own financial statements. Accordingly, employers' auditors must now obtain adequate evidence to support an opinion on information that is produced independently by pension plans that in many states, are independently governed, managed and audited. This is especially challenging for auditors of governments that participate in more than one multiple-employer pension plan (both cost-sharing and agent plans) and auditors of government multiple-employer pension plans that administer from hundreds to up to several thousand participating governments.

The AICPA recently completed two papers addressing audit issues pertaining to cost-sharing plans. We appreciate the efforts of the AICPA's State and Local Government Expert Panel in completing this work, and we believe the guidance provided is workable.

Unfortunately, the guidance for agent plans has not yet been finalized. Further, our understanding is that the guidance under consideration for agent plans will include a requirement for the pension plan to engage an auditor to issue a SOC 1, type 2 report on the allocation of inflows (i.e., contributions, investment income, etc.) and outflows (i.e., benefit payments, administrative expenses, etc.) of the plan to the individual employer accounts.

Many state pension plans have a June 30, 2014, fiscal year end, and this period will most commonly be the liability measurement date for participating governments who will implement GASB 68 for their June 30, 2015, financial statements. Accordingly, to comply with AT Section 801, the plan auditor should *already be* performing procedures for a SOC 1, type 2 engagement. Obviously, this is not happening since the guidance has not yet been finalized or released. This condition creates serious consequences for participating employer auditors who will likely have to modify audit opinions for thousands of participating employers through no fault of the employers or their auditors.

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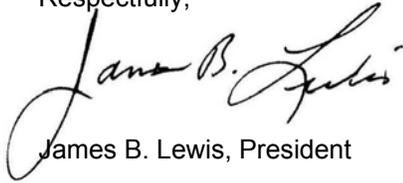
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This serious problem puts agent plan auditors, participating employers and their auditors in an untenable position. We urge the Auditing Standards Board to consider flexibility and the use of professional judgment in the final guidance issued for agent multiple employer plans. If the guidance will be issued as proposed, we believe that the AICPA should ask the GASB for a delay in the agent multiple-employer plan requirements of Statement 68. In our opinion, this is the appropriate thing to do given the current situation.

Should you like to discuss our position or have any questions, please contact Kinney Poynter, NASACT's Executive Director, at (859) 276-1147, or me at (505) 955-1172.

Respectfully,

A handwritten signature in black ink that reads "James B. Lewis". The signature is written in a cursive style with a large initial "J" and "L".

James B. Lewis, President

cc: Chuck Landes, Vice President, Assurance and Accounting, AICPA
Jeff Markert, Chair, State and Local Government Expert Panel, AICPA