

ALG-AP-10: Audit Program for Payroll and Related Liabilities

Governmental Unit: _____ Balance Sheet Date: _____

Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index						
FINANCIAL STATEMENT ASSERTIONS									
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">E/O Existence or occurrence</td> <td style="width: 50%;">V Valuation or allocation</td> </tr> <tr> <td>C Completeness</td> <td>A/CL Accuracy or classification</td> </tr> <tr> <td>R/O Rights or obligations</td> <td>CO Cutoff</td> </tr> </table>				E/O Existence or occurrence	V Valuation or allocation	C Completeness	A/CL Accuracy or classification	R/O Rights or obligations	CO Cutoff
E/O Existence or occurrence	V Valuation or allocation								
C Completeness	A/CL Accuracy or classification								
R/O Rights or obligations	CO Cutoff								
IDENTIFICATION CODES									
<p>The letters in the left column labeled "Assertions" indicate that the audit procedure provides assurance about the indicated assertions. If the letter appears in a bracket (for example, [E/O], [C], etc.), the audit procedure only secondarily provides assurance about the assertion. If an asterisk (*) precedes a procedure, it is a preliminary step or follow-up step.</p>									
BASIC PROCEDURES									
*	S 1. Document whether audit procedures for payroll and related liabilities will be performed across opinion units or for individual opinion units. If procedures will be performed on individual opinion units, identify those opinion units in the documentation.								
*	2. If considered necessary, update your understanding obtained during planning about the nature of the workforce and policies and procedures and regulations pertinent to wages, salaries, and benefits. Read relevant civil service regulations, local, state, and federal ordinances, and other regulations.								
<p>Practical Consideration:</p> <ul style="list-style-type: none"> • The scope of audit procedures for payroll depends on considerations such as whether different payroll systems are used for salaried and hourly employees or other categories of employees; the size, location, and relative stability of the workforce; and what benefit plans are in effect. 									
*	S 3. If considered necessary, update your understanding obtained during planning about pensions and other postemployment benefits (OPEB) the governmental unit provides to its employees, including the types of pension and OPEB plans and their key provisions, applicable payroll registers and payroll cycles, activities performed by various parties (such as the employer and the plan), the plan's governance structure, availability of underlying accounting records, availability of audited financial statements and other audited information for the plans, the use of specialists (such as actuaries), and which GASB standards the governmental unit uses to account for and report its pensions and OPEB.								

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	<p>Practical Considerations:</p> <ul style="list-style-type: none"> • It is important for the auditor to obtain a thorough understanding of the pensions and OPEB the governmental unit provides to its employees. The GASB has issued several complex standards in recent years that significantly change accounting and reporting requirements for employers and nonemployer contributing entities. Those standards and their effective dates are as follows: <ul style="list-style-type: none"> •• GASBS No. 68, <i>Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27</i>, which became effective for fiscal years that began after June 15, 2014. •• GASBS No. 71, <i>Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68</i>, which was required to be applied simultaneously with GASBS No. 68. •• GASBS No. 73, <i>Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68</i>, which supersedes all of the remaining requirements of GASBS No. 27. Requirements for pensions that are within the scope of GASBS No. 68 were effective for fiscal years beginning after June 15, 2015. Requirements for pensions that are not within the scope of GASBS No. 68 (that is, pensions that are not administered through trusts that meet criteria defined in GASBS No. 68) are effective for financial statements for fiscal years beginning after June 15, 2016; however, requirements that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. •• GASBS No. 78, <i>Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans</i>, which amends GASBS No. 68 to exclude from its scope pensions provided through certain cost-sharing plans. GASBS No. 78 is effective for reporting periods beginning after December 15, 2015. •• GASBS No. 82, <i>Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73</i>, most provisions of which are effective for reporting periods beginning after June 15, 2016. Certain provisions relating to the selection of actuarial assumptions are deferred one year, until June 15, 2017, if the employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year end. •• GASBS No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>, which supersedes GASBS No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>, effective for fiscal years beginning after June 15, 2017. •• GASBS No. 85, <i>Omnibus 2017</i>, which makes clarifying amendments to pension and OPEB matters, effective for fiscal years beginning after June 15, 2017. • This audit program reflects all of the above standards. 		

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E/O, C	<ul style="list-style-type: none"> • Pensions and OPEB are discussed in section 904. <p>4. If not already done, perform the following procedures for deferred outflows of resources and deferred inflows of resources:</p> <ol style="list-style-type: none"> a. Identify the nature and sources of deferred outflows of resources and deferred inflows of resources related to payroll and other employee benefits. b. Compare recorded deferred outflows of resources and deferred inflows of resources to the prior period or to other expectations. c. Investigate any unexpected results, considering known changes in the government's activities, economic conditions, or GAAP requirements. d. For deferred outflows of resources and deferred inflows of resources related to pensions or OPEB, perform the applicable procedures under the Pension Plans—Employer Accounting and Reporting section or the OPEB Plans—Employer Accounting and Reporting section of this audit program. 		
E/O, C, A/CL	<p>5. Perform the following analytical procedures:</p> <ol style="list-style-type: none"> a. Compare payroll expenditures/expenses to prior-period actual and current budget (by function/program or more detailed level, and in total), and relate to number of personnel (by function/program or more detailed level, and in total). b. Compute the ratio of total salaries, benefits, and payroll taxes to total expenses and compare to prior-period actual and current budget. c. Compute the average payroll cost per employee and compare to prior-period actual and current budget. d. Investigate any unexpected results, considering known changes in the government's activities and other expectations (such as approved salary increases or applicable salary tables.) 		

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E/O, C, R/O, V, CO	Practical Consideration: <ul style="list-style-type: none"> When performing analytical procedures, the auditor should evaluate the reliability of the data used to develop the expectation and whether the expectation is sufficiently precise to identify potential material misstatements, considering whether only analytical procedures or a combination of analytical procedures and tests of details will be performed. 		
	6. For employee benefit expenditures/expenses and accruals, other than pension or OPEB benefits, perform the following procedures: <ul style="list-style-type: none"> s a. Compare accruals for compensated absences (for example, vacation, sick leave, compensatory time, and sabbaticals) to the prior-period actual and current budget, when applicable, and compare the relation of amounts to gross pay with the same ratio for the prior-period. b. Obtain an understanding of the governmental unit's termination benefits agreement(s), including the significant methods and assumptions used to determine termination benefit liabilities. c. Determine whether the governmental unit's accounting and reporting for termination benefits are in accordance with GAAP. s d. Review the calculation of termination benefits and determine the reasonableness of the expense/expenditure and liability reported in each opinion unit. e. Identify bonuses or other unusual compensation, and inspect evidence of approval. s f. Compute the ratio of payroll tax and other employee benefit expenditures/expense to total payroll benefit and compare the ratio with the ratios of prior years or other expectations. s g. Consider the reasonableness of the accrual for payroll benefit expenditures/expense at the end of the period by performing a predictive test of the amount (such as comparing it to the subsequent payroll run). Practical Consideration: <ul style="list-style-type: none"> Analytical procedures are often sufficient to substantiate payroll benefits other than pensions and OPEB. In the absence of significant fluctuations, tests of details may be omitted. 		

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<p style="text-align: center;">*</p>	<p style="text-align: center;">Pension Plans—Employer Accounting and Reporting</p> <p>S 7. For all pensions, perform the following procedures to obtain general information about the plan:</p> <ul style="list-style-type: none"> a. Obtain and review each plan document and a copy of each plan’s audited financial statements, including supplementary schedules. (Obtain a trustee’s report if audited financial statements are not available.) b. For each pension plan, determine and document the type of plan (i.e., defined contribution or defined benefit; single-employer plan, agent multiple-employer plan, or cost-sharing multiple-employer plan). Practical Considerations: <ul style="list-style-type: none"> • An agent multiple-employer plan is one in which participating employers pool their assets for investment purposes but a separate account is maintained for each individual employer. It can be thought of as a collection of single-employer plans that are commonly administered. • A cost-sharing multiple-employer plan is one in which participating employers pool their assets but the plan assets can be used to pay retirees of any participating employer. c. Inquire of the client as to any intent to terminate plans. d. Inquire as to whether there have been any recent plan amendments. e. Determine and document whether the employer’s accounting and reporting requirements are established by GASBS No. 68, as amended; GASBS No. 73, as amended; or GASBS No. 78. Practical Considerations: <ul style="list-style-type: none"> • GASBS No. 73, <i>Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68</i>, superseded GASBS No. 27 effective for financial statements for fiscal years beginning after June 15, 2016. However, requirements that address financial reporting for assets accumulated for purposes of providing those pensions were effective for fiscal years beginning after June 15, 2015. • GASBS No. 68, <i>Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27</i>, applies to pensions provided to the employees of state and local governments through plans that are administered through trusts or equivalent arrangements that meet all three of the following criteria: <ul style="list-style-type: none"> •• Contributions from employers and nonemployer contributing entities are irrevocable. •• Plan assets are restricted to paying benefits. •• Plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the plan administrator, and for defined benefit plans, from plan members’ creditors. 		

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<p>*</p> <p>s</p> <p>*</p>	<p>Pension benefits provided through trusts or other arrangements that do not meet all of these criteria are accounted for and reported under GASBS No. 73.</p> <ul style="list-style-type: none"> • GASBS No. 82, <i>Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73</i>, made technical corrections to clarify guidance on (1) deviations from Actuarial Standards of Practice, (2) classification of employer-paid member contributions, and (3) presentation of payroll-related measures in RSI. Most provisions of GASBS No. 82 are effective for reporting periods beginning after June 15, 2016. However, provisions relating to the selection of actuarial assumptions are deferred one year, until June 15, 2017, if the employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year end. • GASBS No. 85, <i>Omnibus 2017</i>, makes clarifying amendments to liability and expenditure measurement in fund financial statements and recognition of on-behalf payments for both pension and OPEB plans. It also amends OPEB-only guidance for RSI presentation of payroll, classification of employer-paid contributions for employees, the alternative measurement method, and plans that have specific characteristics (e.g., Taft-Hartley plans). GASBS No. 85 is effective for fiscal years beginning after June 15, 2017. <p>8. If the plan’s audited financial statements and supplementary schedules will be used as audit evidence in the audit of the employer’s financial statements, perform the following procedures:</p> <ul style="list-style-type: none"> a. Review the plan auditor’s reports and any related opinion modifications or exceptions, assess other matters discussed in the reports, and evaluate whether the reports are adequate and appropriate for use in the audit of the employer’s financial statements. b. Evaluate whether the plan auditor has the necessary competence and independence for the employer auditor’s purposes. <p>9. Obtain the client’s calculations of the net pension liability/obligation (or net pension asset), other payables to the plan, pension expense, and pension-related deferred outflows of resources and deferred inflows of resources. Also obtain the documents and assumptions underlying the calculations.</p>	<p style="background-color: #cccccc;">N/A</p>	

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E/O, C, V, A/CL	<p>Practical Consideration:</p> <ul style="list-style-type: none"> • If GASBS No. 73, <i>Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68</i>, is applicable, the employer would report a <i>total pension liability</i>, instead of a <i>net pension liability</i>. GASBS No. 73 applies when asset transfers are revocable, allowing employers to retrieve prior contributions. Because there is not an irrevocable trust, GASBS No. 73 considers there to be no fiduciary net position available to offset the employer's pension liability. Thus, the employer would report the full amount of the total pension liability instead of a lower, net pension liability. <p>10. For all pensions, perform the following procedures:</p> <ol style="list-style-type: none"> a. Calculate the ratio of the governmental unit's recorded expenditures/expense to the number of covered employees and compare to the same ratio in the prior period. b. Compare the governmental unit's payables, other than the net pension obligation or net pension liability (or total pension liability if GASBS No. 73 is applicable), with those of the prior period. c. Investigate any unexpected results, considering known changes in the governmental unit's activities, economic conditions, or GAAP requirements. d. Review the calculation of pension expense and determine the propriety of amounts recognized in expense. <p>Practical Considerations:</p> <ul style="list-style-type: none"> • When accounting for pension expense under GASBS No. 68— <ul style="list-style-type: none"> •• Certain changes in the net pension liability (NPL) are recognized immediately in expense, including current period service cost, interest on the total pension liability, the impact of changes in benefit terms, and certain changes in the plan net position. Pension expense also includes amortization of deferred outflows of resources and deferred inflows of resources. •• Employers participating in agent multiple-employer plans recognize their employer-specific pension expense for the plan. •• Employers participating in cost-sharing multiple-employer plans recognize their proportionate share of the pension expense determined for the plan as a whole. • GASBS No. 78, <i>Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans</i>, amended GASBS No. 68 to exclude from its scope pensions provided through cost-sharing plans that (1) are not state or local governmental pension plans, (2) are used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) have no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). 		

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R/O	<ul style="list-style-type: none"> • Under GASBS No. 78, in financial statements prepared using the economic resources measurement focus— <ul style="list-style-type: none"> •• Pension expense should be recognized equal to the employer's required contributions to the pension plan for the reporting period, and a payable should be reported for unpaid required contributions at the end of the reporting period. •• Pension expense also should be recognized for separate liabilities to the plan that arise in the reporting period (for example, for amounts assessed to an individual employer upon joining a cost-sharing pension plan), and a payable should be reported for unpaid amounts at the end of the reporting period. • Under GASBS No. 78, in financial statements prepared using the current financial resources measurement focus— <ul style="list-style-type: none"> •• Pension expenditures should be recognized equal to the employer's required contributions to the pension plan that are associated with pay periods within the reporting period. Also, for separate liabilities to the plan, pension expenditures should be recognized equal to the total of (1) amounts paid by the employer in relation to the payable and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. •• A payable should be recognized to the extent it is normally expected to be liquidated with expendable available financial resources (that is, for (1) the unpaid required contributions that are associated with pay periods within the reporting period and (2) the portion of any separate liabilities to the pension plan that is due and payable pursuant to contractual arrangements or legal requirements). • A special funding situation would affect the calculation of pension expense. If applicable, see the audit procedures for GASBS No. 68 and GASBS No. 73—Special Funding Situations in the Extended Procedures section of this audit program. 		
	<p>11. For all defined benefit pensions, perform the following procedures:</p> <ul style="list-style-type: none"> a. Obtain and review the latest actuarial valuation report. <p>Practical Consideration:</p> <ul style="list-style-type: none"> • For an agent multiple-employer plan, the actuarial valuation report should be specific to the employer and based on the employer's census data and plan provisions. It should include the total pension liability, plan net position, net pension liability, deferred outflows of resources and deferred inflows of resources by category and year, pension expense, discount rate calculation, and other standard actuarial information that is specific to the employer. b. Inquire of management or the actuary whether the actuarial valuation considers all pertinent provisions of the plan, including any changes or amendments to the plan or other events affecting the actuarial calculations that are effective as of the measurement date. c. Compare key provisions included in the actuarial valuation report with the plan document. 		

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	<p>d. Consider sending a request for information to the plan’s actuarial firm.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • If the actuarial valuation report does not include a description of all key plan provisions, it may be necessary to confirm the actuary’s understanding of such provisions. The letters at ALG-CL-11.1 and ALG-CL-11.2 can be used for pensions subject to GASBS No. 68. The letter at ALG-CL-11.3 can be used for pensions subject to GASBS No. 73. The letter at ALG-CL-11.4 can be used to obtain information when the employer has a special funding situation under either GASBS No. 68 or GASBS No. 73. <p>e. Inquire about the nature of any interests or relationships the actuary may have with the employer or the plan(s) that may create threats to the actuary’s objectivity (such as financial interests, business or personal relationships, or the provision of other services) and any applicable safeguards.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • An Emphasis Point at SLG, Paragraph 13.134, suggests asking management to have the actuary provide a written description of any relationships and interests that might exist and that might appear to impair the actuary’s objectivity. <p>f. Perform the procedures for using the work of a management’s specialist in the “Audit Program for General Planning Procedures” at section of ALG-AP-1.</p> <p>g. Consider whether to retain an actuary as an auditor’s specialist and, if one is retained, perform the procedures for Using the Work of an Auditor’s Specialist in the Other General Planning Procedures section of ALG-AP-1.</p> <p>h. Determine whether the actuarial valuation report is relevant and reliable for the employer’s financial reporting purposes, including whether it is appropriate and consistent with the applicable GAAP requirements, and the assumptions and methods used are reasonable in light of the measurement objectives.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • The financial statements of agent plans do not include actuarial information for individual employers or for the plan as a whole. They also do not include separate information regarding the plan net position for individual employers. Actuarial information for each employer, including census data submitted to the actuary, must be provided in order for each employer to determine its NPL. • In preparing actuarial valuation reports for each individual employer participating in an agent plan, it is important for the actuary to have considered the appropriateness of assumptions and methods used for each employer. 		

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*	<p>12. For all defined benefit pensions, perform the procedures for Required Supplementary Information in the Basic Procedures section of ALG-AP-2.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> The Extended Procedures section of this audit program includes additional audit steps for pensions depending on whether the plan is subject to GASBS No. 68 or GASBS No. 73 and the type of pension plan (e.g., single-employer, agent multiple-employer, cost-sharing multiple-employer). Audit procedures for OPEB begin at Step 7. 		
* s	<p>OPEB Plans—Employer Accounting and Reporting</p> <p>13. For all OPEB, perform the following procedures to obtain general information about the plan:</p> <ol style="list-style-type: none"> Obtain and review each plan document and a copy of each plan’s audited financial statements, including supplementary schedules. (Obtain a trustee’s report if audited financial statements are not available.) For each OPEB plan, determine and document the type of plan (i.e., defined contribution or defined benefit; single-employer plan, agent multiple-employer plan, or cost-sharing multiple-employer plan). <p>Practical Considerations:</p> <ul style="list-style-type: none"> An agent multiple-employer plan is one in which participating employers pool their assets for investment purposes but a separate account is maintained for each individual employer. It can be thought of as a collection of single-employer plans that are commonly administered. A cost-sharing multiple-employer plan is one in which participating employers pool their assets but the plan assets can be used to pay retirees of any participating employer. <ol style="list-style-type: none"> Inquire of the client as to any intent to terminate plans. Inquire as to whether there have been any recent plan amendments. Determine and document whether the employer’s accounting and reporting requirements are established by GASBS No. 45 or GASBS No. 75. <p>Practical Consideration:</p> <ul style="list-style-type: none"> GASBS No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>, applies until GASBS No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>, is implemented. GASBS No. 75 supersedes GASBS No. 45 effective for fiscal years beginning after June 15, 2017. 		

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*	14. If the plan's audited financial statements and supplementary schedules will be used as audit evidence in the audit of the employer's financial statements, perform the following procedures: <ol style="list-style-type: none"> a. Review the plan auditor's reports and any related opinion modifications or exceptions, assess other matters discussed in the reports, and evaluate whether the reports are adequate and appropriate for use in the audit of the employer's financial statements. b. Evaluate whether the plan auditor has the necessary competence and independence for the employer auditor's purposes. 		
* s	15. Obtain the client's calculations of the net OPEB liability/obligation (or net OPEB asset), other payables to the plan, OPEB expense, and OPEB-related deferred outflows of resources and deferred inflows of resources. Also obtain the documents and assumptions underlying the calculations. <p>Practical Consideration:</p> <ul style="list-style-type: none"> • If GASBS No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>, has been implemented and the OPEB are provided through an OPEB plan that is not administered through a trust or an equivalent arrangement that meets the criteria specified in GASBS No. 75, paragraph 4 (i.e., a qualifying trust), the employer reports a <i>total</i> OPEB liability rather than a <i>net</i> OPEB liability because GASBS No. 75 considers there to be no fiduciary net position available to offset the employer's OPEB liability. 		
E/O, C, V, A/CL	s 16. For all OPEB, perform the following procedures: <ol style="list-style-type: none"> a. Calculate the ratio of the governmental unit's recorded expenditures/expense to the number of covered employees and compare to the same ratio in the prior period. b. Compare the governmental unit's payables, other than the net OPEB obligation or net OPEB liability (or total OPEB liability if applicable), with those of the prior period. c. Investigate any unexpected results, considering known changes in the governmental unit's activities, economic conditions, or GAAP requirements. d. Review the calculation of OPEB expense and determine the propriety of amounts recognized in expense. 		

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R/O	<p>Practical Considerations:</p> <ul style="list-style-type: none"> • When accounting for OPEB expense under GASBS No. 75 for defined benefit OPEB— <ul style="list-style-type: none"> •• Most changes in the net OPEB liability are recognized immediately in expense, including current period service cost, interest on the total OPEB liability, the impact of changes in benefit terms, and certain changes in the plan net position. OPEB expense also includes amortization of deferred outflows of resources and deferred inflows of resources. •• Employers participating in agent multiple-employer plans recognize their employer-specific OPEB expense for the plan. •• Employers participating in cost-sharing multiple-employer plans recognize their proportionate share of the OPEB expense determined for the plan as a whole. • A special funding situation would affect the calculation of OPEB expense. If applicable, see the audit procedures for GASBS No. 75—Special Funding Situations in the Extended Procedures section of this audit program. <p>17. For all defined benefit OPEB, perform the following procedures:</p> <p>a. Obtain and review the latest actuarial valuation report.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • For an agent multiple-employer plan, the actuarial valuation report should be specific to the employer and based on the employer's census data and plan provisions. It should include the total OPEB liability, plan net position, net OPEB liability, deferred outflows of resources and deferred inflows of resources by category and year, OPEB expense, discount rate calculation, and other standard actuarial information that is specific to the employer. • GASBS No. 75, paragraph 224, provides an option for the total OPEB liability to be measured using an alternative measurement method instead of an actuarial valuation if fewer than 100 employees are provided with benefits through the plan as of the beginning of the measurement period. GASBS No. 75, paragraphs 225–226, discusses possible modifications to the measurement requirements applicable for larger plans that may be necessary if the alternative measurement method is used. <p>b. Inquire of management or the actuary whether the actuarial valuation considers all pertinent provisions of the plan, including any changes or amendments to the plan or other events affecting the actuarial calculations that are effective as of the measurement date.</p> <p>c. Compare key provisions included in the actuarial valuation report with the plan document.</p> <p>d. Consider sending a request for information to the plan's actuarial firm.</p>		

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	<p>Practical Consideration:</p> <ul style="list-style-type: none"> • If the actuarial valuation report does not include a description of all key plan provisions, it may be necessary to confirm the actuary's understanding of such provisions. The letters at ALG-CL-11.5 and ALG-CL-11.6 can be used to obtain information for OPEB subject to GASBS No. 45. The letters at ALG-CL-11.7, ALG-CL-11.8, and ALG-CL-11.9 can be used to obtain information for OPEB subject to GASBS No. 75. The letter at ALG-CL-11.10 can be used to obtain information when the employer has a special funding situation under GASBS No. 75. <p>e. Evaluate the reasonableness and propriety of the discount rate used by the actuary and whether the actuarial assumptions and methods used by the actuary are reasonable in light of the measurement objectives.</p> <p>f. Inquire about the nature of any interests or relationships the actuary may have with the employer or the plan(s) that may create threats to the actuary's objectivity (such as financial interests, business or personal relationships, or the provision of other services) and any applicable safeguards.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • An Emphasis Point at SLG, Paragraph 14.96, suggests asking management to have the actuary provide a written description of any relationships and interests that might exist and that might appear to impair the actuary's objectivity. <p>g. Perform the procedures for using the work of a management's specialist in the "Audit Program for General Planning Procedures" at ALG-AP-1.</p> <p>h. Consider whether to retain an actuary as an auditor's specialist and, if one is retained, perform the procedures for Using the Work of an Auditor's Specialist in the Other General Planning Procedures section of ALG-AP-1.</p> <p>i. Determine whether the actuarial valuation report is relevant and reliable for the employer's financial reporting purposes, including whether it is appropriate and consistent with the applicable GAAP requirements.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • The financial statements of agent multiple-employer plans do not include actuarial information for individual employers or for the plan as a whole. They also do not include separate information regarding the plan net position for individual employers. Actuarial information for each employer, including census data submitted to the actuary, must be provided in order for each employer to determine its net OPEB liability. • In preparing actuarial valuation reports for each individual employer participating in an agent multiple-employer plan, it is important for the actuary to have considered the appropriateness of assumptions and methods used for each employer. 		

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<p>*</p> <p>E/O, C, R/O, V, A/CL</p>	<p>18. For all defined benefit OPEB, perform the procedures for Required Supplementary Information in the Basic Procedures section of ALG-AP-2.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> The Extended Procedures section of this audit program includes additional audit steps depending on whether the OPEB are accounted for and reported under GASBS No. 45 or under GASBS No. 75, the type of plan (e.g., single-employer, agent multiple-employer, cost-sharing multiple-employer), and whether the OPEB is administered through a qualifying trust. <p>Other</p> <p>19. Determine that the information necessary to record all material payroll and related liabilities on the full accrual basis of accounting) not already reflected in the information to prepare the fund financial statements is available and has been considered and covered in the applicable audit steps in this program.</p> <p>Concluding Audit Steps</p>	<p style="background-color: #cccccc;"></p>	
<p>*</p> <p>s</p>	<p>20. Ensure that the workpapers include the information needed to support required financial statement disclosures and that such information has been subjected to appropriate audit procedures.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> ALG-CX-13.1 provides a checklist of financial statement disclosures. 	<p style="background-color: #cccccc;"></p>	
<p>*</p> <p>s</p>	<p>21. Consider the need to apply one or more additional procedures and whether the results of audit procedures indicate internal control related matters that are required to be communicated to management and others.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> The decision to apply additional procedures should be based (1) on your risk assessment documented at ALG-CX-7.1, (2) a consideration of whether information obtained or misstatements detected by performing audit procedures or from other sources during the audit alter your judgment about the assessed risk of material misstatement (whether caused by error or fraud), and (3) an evaluation of whether the procedures performed have provided sufficient assurance. If risks or other conditions are identified that require an additional audit response, ensure that those risks or conditions and your response are documented. ALG-CX-15.1 can be used to summarize and evaluate whether control deficiencies, individually or in combination, are significant deficiencies or material weaknesses. ALG-CX-15.2 can be used to capture relevant information relating to identified control deficiencies including the cause and effect of the deficiency, client response, and whether it represents a control deficiency, significant deficiency, material weakness, or other matter. Internal control related matters are discussed in section 1012. 	<p style="background-color: #cccccc;"></p>	

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<p style="text-align: center;">*</p>	<p>Conclusion</p> <p>S 22. We have performed procedures and obtained audit evidence sufficient to provide reasonable assurance about payroll and related liabilities (to support our opinions). The procedures performed, evidence obtained, and our conclusions are adequately documented. [If you are unable to conclude, prepare a memo documenting your reason and the implications for the engagement, including the audit report(s).]</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>		

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<p><input type="checkbox"/> E/O, C</p> <p><input type="checkbox"/> A/CL</p> <p><input type="checkbox"/> S E/O, C, A/CL, [CO]</p>	<p>EXTENDED PROCEDURES (PROCEDURES FOR ADDITIONAL ASSURANCE)</p> <p>Payroll Journal</p> <p>1. For selected payroll journals, test clerical accuracy and compare total net payroll with the deposit to the payroll bank account and the general fund disbursing check, when applicable.</p> <p>Reconcile Salary to Federal Tax Forms</p> <p>2. Review reconciliations of salary and FICA totals to comparable totals on filed Form 941.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> Some auditors consider this procedure to be effective for substantiating the validity and accuracy of payroll because it is unlikely that false forms will be filed with a federal agency. <p>Payroll Expenditures/Expense and Transactions</p> <p>3. Update your understanding obtained during planning with management regarding payroll procedures and determine the key factors related to payroll (for example, average hourly or weekly wage rate, per diem rate for temporary workers, and annual salary levels). Determine the total employees by type or class from a review of the payroll records. Also identify the normal rate of pay for employees at various levels. Design and document a predictive test of the total compensation expenditures/expense recorded, and compare the results with the salary expenditures/expense in the general ledger. Document explanations for significant unexpected variations.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> This analytical procedure may need to be applied to individual payroll areas if there are different factors in each one. The effectiveness of a predictive test naturally depends on the relevance and reliability of the data used. Predictive tests performed or other analytical procedures applied will be valid only if the supporting data or information used for the test is relevant and reliable. Exercise caution so that you have confidence about the validity of this information. The supporting information is more apt to be reliable if it is obtained from an independent source (for example, an operating department not responsible for the amount being audited), was developed from a variety of sources and under a reliable system with adequate controls, or was subjected to audit testing in the current or prior year. It may be necessary to test a few individual compensation amounts by comparing to supporting documents to obtain satisfaction about the validity of the data used. In many audits, payroll can be effectively tested by a well-designed analytical test. In some engagements, however, payroll transactions may need to be tested, and audit sampling may be necessary. Chapter 7 explains an efficient sampling approach. 	<p></p>	<p></p>

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<input type="checkbox"/> E/O, A/CL	<ul style="list-style-type: none"> • ALG-CX-9.1 presents a worksheet for documenting a substantive analytical procedure, such as a predictive test. <p>4. Perform the following payroll procedures:</p> <ol style="list-style-type: none"> a. Select a sample of payroll transactions during the year. Document the items selected b. Trace the pay rate or amount to proper authorization, and consider compliance with pertinent funding source requirements, if applicable. c. Recalculate the gross pay if it is determined on an hourly basis, and trace the hours used to compute gross pay to time cards or time sheets, as appropriate. d. Determine that the gross pay amount is correct and properly classified as to account, fund, and budget category in the general ledger in accordance with the employee’s job description. <p>Practical Considerations:</p> <ul style="list-style-type: none"> • This procedure is often inefficient and is best avoided unless effective analytical procedures cannot be designed. If it is performed, an effective sampling approach for this type of test is described in section 706. • The “Sampling Worksheet for Testing Account Coding and Classifications” at ALG-CX-8.3 can be used to document the sampling approach. • Determine if any payroll testing performed as part of the Single Audit can also be used for financial statement testing purposes before selecting a new sample. • If identified fraud risks make it necessary to modify procedures, see the Additional Procedures in Response to Risks of Misappropriation of Assets Related to Payroll or Funding Source Requirement in this section of this audit program. 		
<input type="checkbox"/> E/O, C	<p>Payroll Distribution Observation</p> <p>5. If required by a funding source or otherwise considered necessary because of a high level of audit risk associated with the nature of the workforce (for example, high employee turnover; significant use of temporary employees; and use of employees in programs with a greater risk of fraud, such as youth programs or work conducted in the field), make a surprise observation of a payroll distribution as follows:</p> <ol style="list-style-type: none"> a. Assume control of all payroll checks. b. Check the numerical sequence of all payroll checks and compare it with the payroll register. c. Compare the payroll register for the pay period with the registers for the preceding and subsequent pay periods and obtain explanations of any differences. 		

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<input type="checkbox"/> E/O, A/CL	<p>d. Accompany the paymaster during the payroll distribution. Examine identification and a signature from each employee receiving a paycheck.</p> <p>e. If the employee has no identification, the employee's supervisor should vouch for the employee, and the auditor should later examine the personnel and payroll records.</p> <p>f. List unclaimed checks at the end of the payroll distribution and perform the following procedures.</p> <p>(1) When such checks are subsequently claimed, examine identification and signatures of the employees claiming such checks after the regular distribution.</p> <p>(2) Compare signatures on the listing sheet to the employee's W-4 form and employment application.</p> <p>(3) Review the employee's time card or time sheet for indication that the employee actually was absent. (This procedure tests the possibility of an absent employee being signed/checked in by another employee.)</p> <p>(4) Examine the time card or time sheet of the pay period covered by the payroll check.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • Performing procedures on a surprise basis is one way to modify the nature, timing, and extent of audit tests in response to identified fraud risks. • A surprise observation of payroll would not be possible if payroll checks are directly deposited. <p>Additional Procedures in Response to Risks of Misappropriation of Assets Related to Payroll or Funding Source Requirement</p> <p>6. Perform the following procedures (generally as a response to identified fraud risks):</p> <p>a. Review the payroll register and payroll check register for duplicate names or addresses, names of former employees, math errors, unusual pay rates or number of hours worked, and factors that might indicate ghost employees.</p> <p>b. Obtain a list of current and former employees from personnel files and compare it to the payroll list suspected of including fictitious employees and note any discrepancies.</p> <p>c. Look for employees who have no tax withholding forms, insurance elections, other employee benefit elections or deduction forms, or personnel files.</p>	<div style="background-color: #cccccc; height: 100px; width: 100%;"></div>	

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<input type="checkbox"/> E/O, C, R/O	<p>d. Determine whether any social security numbers may be fictitious or are the same number for two different people.</p> <p>e. Determine whether two different employees have the same address.</p> <p>f. For suspected fictitious employees, examine canceled payroll checks. If the canceled checks are missing, request copies from the bank.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • If the auditor suspects fictitious employees, paymaster procedures may be effective (that is, distribute the checks or observe their distribution). However, because the auditor normally performs fieldwork at a date subsequent to year end for governmental clients, it may not be practicable to perform paymaster procedures. Also, for many entities, direct deposit of payroll checks frequently occurs, negating the effectiveness of this procedure. • Data extraction software (DES) can be used to perform many audit procedures relating to payroll, including procedures as a response to fraud risk. <p>7. If required by a funding source or if otherwise considered necessary because of identified fraud risks or a high level of audit risk associated with the nature of the work force (e.g., high employee turnover; significant use of temporary employees; use of employees in programs with a greater risk of fraud, such as youth programs or work conducted in the field), perform the following procedures:</p> <ol style="list-style-type: none"> a. Obtain the payroll register and examine it for proper approvals and signatures. Check footings and cross-footings and trace totals to the payroll summary and general ledger posting. b. Trace employee name, social security number, pay rate, and classification from the payroll register to personnel records. c. Trace hours worked on time cards or time sheets to the payroll register. d. Observe that time cards or time sheets are signed by the employee and approved by a supervisor. e. Trace paid time off to employee time and leave records. f. Recompute extensions for gross wages. g. Examine the W-4 form and compare withholdings per the W-4 form to the deductions from gross pay, and recompute net pay. h. Determine if any salary advances were made; if so, trace advances to authorizations and supporting memos. 	<div style="background-color: #cccccc; height: 150px;"></div>	

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<input type="checkbox"/> *	<p>i. Examine the canceled payroll check, noting agreement of net pay with the payroll register and noting employee name, check amount, and endorsement (note double endorsements, which could indicate a fictitious endorsement).</p> <p>j. Compare the endorsement on the check to the signature on the W-4 form.</p> <p>k. Trace individual employee payments to employee earnings cards.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> Determine if any payroll testing performed as part of the Single Audit can also be used for financial statement testing purposes before selecting a new sample. <p>GASBS No. 68—Single-employer and Agent Multiple-employer Defined Benefit Pension Plans</p> <p>s 8. If the governmental unit participates in a <i>single-employer or agent multiple-employer</i> defined benefit pension plan, perform the following procedures for the actuarial valuation report:</p> <p>a. Read the actuarial certification (in the actuarial valuation report) for potential exclusions from the scope of the actuary’s work or for qualifications on the actuary’s certification relating to actuarial methods, actuarial assumptions, or census data.</p> <p>b. Evaluate whether the methods and assumptions used in determining the total pension liability (TPL) are in accordance with GASBS No. 68 and Actuarial Standards of Practice and are the same as those used by the plan.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> GASBS No. 82, <i>Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73</i>, paragraph 7, explains that for the purpose of selecting assumptions used in determining the TPL and related measures, a deviation from the guidance in an Actuarial Standard of Practice should not be considered in conformity with GASBS No. 68. <p>c. Determine whether the actuarial valuation was performed as of a date no more than 30 months and 1 day earlier than the employer’s fiscal year-end.</p>	<p style="text-align: center;">N/A</p>	

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<input type="checkbox"/> S E/O, C, V, A/CL	<p>d. If the actuarial valuation was performed as of a date prior to the measurement date, review the appropriateness of update procedures used to roll forward the TPL to the measurement date and determine whether all significant known events occurring between the valuation date and the measurement date have been properly included.</p> <p>9. If the governmental unit participates in a <i>single-employer or agent multiple-employer</i> defined benefit pension plan, perform the following procedures for the net pension liability (NPL):</p> <p>a. Obtain the client’s calculation of the NPL and perform the following procedures:</p> <ol style="list-style-type: none"> (1) Trace the total pension liability and plan fiduciary net position to the actuarial valuation report. (2) Trace the plan fiduciary net position to the plan’s audited financial statements. (3) Test the mathematical accuracy of the calculation of the net pension liability. <p>Practical Considerations:</p> <ul style="list-style-type: none"> • The total pension liability is the actuarial present value of projected benefit payments for current plan members that is attributed to past employee service. • The net pension liability is the difference between the total pension liability and the plan net position. • The authors believe that, because the plan’s net position is a material component of the employer’s calculation of the net pension liability, if audited financial statements are not available for a single-employer plan, the employer auditor will need to perform additional procedures to obtain sufficient appropriate audit evidence about material amounts in the plan’s financial statements. <p>b. Obtain the discount rate calculation schedule and a rollforward schedule that projects plan net position, employer and employee contributions, benefit payments, investment earnings, and plan administrative expenses.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • GASBS No. 82, <i>Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73</i>, paragraph 8, explains that payments made by the employer to satisfy contribution requirements identified by the plan’s terms as member contribution requirements should be classified as plan member contributions, not employer contributions. <p>c. Verify the net position rollforward schedule by performing the following procedures:</p> <ol style="list-style-type: none"> (1) Trace the beginning plan fiduciary net position to the plan’s audited financial statements. 	<div style="background-color: #cccccc; height: 100px;"></div>	

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	<p>(2) Compare projected employer (including nonemployer contributing entity, if applicable) and employee contributions for the first year on the schedule to actual current year contributions in the plan's audited financial statements.</p> <p>(3) Evaluate the reasonableness of projected employer (including nonemployer contributing entity, if applicable) and employee contributions, considering age demographics of current employees and future increases in pension benefits.</p> <p>(4) Evaluate the reasonableness of projected employer (including nonemployer contributing entity, if applicable) contributions, considering the past five-year contribution history and any legal or contractual funding requirements.</p> <p>(5) Compare projected benefit payments for the first year on the schedule to actual current year benefit payments in the plan's audited financial statements.</p> <p>(6) Evaluate the reasonableness of the projected future benefits based on age demographics of current plan members, projected retirement dates, projected benefit payments based on the applicable benefit formula, and mortality assumptions used in the actuarial valuation.</p> <p>(7) Evaluate the appropriateness of projected investment earnings by recalculating investment earnings using the expected long-term rate of return on plan investments.</p> <p>(8) Test the mathematical accuracy of the rollforward schedule.</p> <p>d. Verify components of the discount rate calculation schedule by performing the following procedures:</p> <p>(1) Trace the fiduciary net position, projected contributions, and projected benefit payments for each year on the discount rate calculation schedule to the net position rollforward schedule.</p> <p>(2) Determine for each year on the discount rate calculation schedule whether the beginning net position is sufficient to cover that year's projected benefit payments.</p>		

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<p><input type="checkbox"/> C, R/O</p>	<p>(3) For future years in which beginning fiduciary net position is sufficient to pay projected benefits for the respective year, determine whether the projected benefit payments were properly discounted using the long-term expected rate of return on plan investments.</p> <p>(4) For future years in which beginning fiduciary net position is not sufficient to pay projected benefits for the respective year, determine whether the projected benefit payments were properly discounted using an appropriate 20-year AA municipal bond yield or index rate as of the measurement date.</p> <p>(5) Recalculate the single (blended) discount rate.</p> <p>(6) Evaluate the reasonableness and propriety of the discount rates, including the single blended rate.</p> <p>(7) Test the mathematical accuracy of the schedule.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • When projected benefit payments are not fully covered by the plan net position plus projected contributions, the discount rate has to be a blended rate based on the long-term expected rate of return on investments and a municipal bond rate [a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale)]. • Determination of the blended discount rate requires calculating the actuarial present value of projected benefit payments in a two-phase process: (1) the long-term expected rate of return is applied to the portion of plan assets for which the plan net position plus projected contributions are expected to fully cover projected benefit payments; and (2) the municipal bond rate is applied beginning at the crossover point where projected benefit payments exceed plan net position plus projected contributions. Accordingly, the discount rate is the single blended rate that, when applied to all projected benefit payments, achieves the actuarial present value equal to the total calculated in (1) and (2). • An Emphasis Point at SLG, Paragraph 13.134j, explains that the long-term expected rate of return used in the calculation of the discount rate must be forward-looking and based on the appropriate expected long-term rate of return that considers target asset allocations. The auditor is cautioned to avoid evaluating the reasonableness of management’s assumption regarding the long-term expected rate of return solely based on retrospective analysis of historical investment returns or comparison to the rate used by other plans. <p>s 10. For <i>single-employer and agent multiple-employer plans</i>, obtain the census data provided to the actuary and perform the following procedures:</p> <p>a. If the actuarial certification (in the actuarial valuation report) identified any exceptions related to census data, determine that resolution of the exception(s) was appropriate.</p>		

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<input type="checkbox"/> C, R/O	<p>b. Obtain and test a reconciliation of aggregate census data (such as the number of members and pensionable wages reported in the census data file) to amounts shown in the latest actuarial valuation report.</p> <p>c. If the census data was obtained from the plan, perform the following procedures:</p> <ol style="list-style-type: none"> (1) Confirm with the actuary that the information is the same as that reported to and used by the actuary. (2) Confirm with the actuary whether any information was missing or whether changes were made to the census data file provided by plan management. (3) If applicable, evaluate the potential impact on the TPL of assumptions the actuary used in changing census data (for example, corrections to address missing data). <p>d. Obtain and test a rollforward of the census data from the previous census data file to the current census data file, including testing significant reconciling items.</p> <p>e. Compare the number of plan members for the current census data file to the number for the previous census data file, and the number of plan members to the total number of employees.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • Consider disaggregating the analysis in various ways [such as by employee age and status (i.e., active, inactive employees entitled to but not yet receiving benefits, or inactive employees or their beneficiaries receiving benefits)]. • The census data must be tested for the data reported to the plan since the last valuation. Some plans may obtain biennial valuations requiring testing of the information for the prior year and current year rather than only the current year. <p>s 11. For <i>single-employer and agent multiple-employer pensions</i>, obtain from the employer a list of new employees hired from the previous valuation to the current valuation and perform the following procedures:</p> <ol style="list-style-type: none"> a. Select a sample and determine that eligible new employees were appropriately enrolled in the plan and properly included in the census data file. 	<div style="background-color: #cccccc; height: 100px; width: 100%;"></div>	

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<input type="checkbox"/> C, R/O	<p>b. For each employee selected, trace participant information (such as name, Social Security number, birth date, gender, hire date, marital status, and position or job code) to the employer's personnel records.</p> <p>s 12. For <i>single-employer pensions</i>, select a sample of active members from the census data file and a sample of active members from the employer's payroll registers from the previous valuation to the current valuation, and perform the following procedures:</p> <p>a. Evaluate whether the employee is eligible to participate in the plan based on the eligibility criteria included in the plan document.</p> <p>b. Trace static census data (such as name, birth date, hire date, gender, and spouse's birth date) in the current census data file to the prior census data file.</p> <p>c. For significant elements of census data that change based on current-year events and activity (such as service credits, pensionable wages, and marital status), trace the incremental changes to the employer's payroll and personnel records and recalculate the data in the current census data file based on the prior census data file and the incremental changes.</p>		
<input type="checkbox"/> C, R/O	<p>s 13. For <i>single-employer pensions</i>, perform the following procedures for inactive members:</p> <p>a. Select a sample of inactive members entitled to but not yet receiving benefits and compare the information in the current census data file and the prior census data file.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • Consider selecting a sample from the current census data file and a sample from prior census data file. <p>b. Select a sample of inactive members currently receiving benefits and perform the following procedures:</p> <p>(1) Compare the static census data information in the current census data file and the prior census data file.</p> <p>(2) Trace or recalculate the significant elements of census data that change based on criteria in the plan document (for example, test the retirement benefit by comparing it to the benefit payment in the prior census data file and recalculating the current benefit payment based on the cost of living adjustment for the current year).</p> <p>(3) Trace benefit payments in the census data file to the general ledger detail.</p>		

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<input type="checkbox"/> C, R/O	<p>(4) Determine that the retiree (or beneficiary, if applicable) is not deceased based on a cross-match of Social Security numbers.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • These procedures may not be necessary if the employer auditor obtains evidence from the plan. <p>14. For <i>agent multiple-employer pensions</i>, perform the following procedures:</p> <p>a. Obtain a list of status changes reported to the plan from the previous valuation to the current valuation (other than those reported through the employer’s payroll transmission reports) and test a sample to determine that they were appropriate based on relevant plan criteria and the employer’s underlying payroll and personnel records.</p> <p>b. Select a sample of active members and perform the following procedures:</p> <p>(1) Trace details included in the payroll transmission report (such as name, position or job code, periods of time worked, pensionable wages for the period, employer contribution for the period, and employee contribution for the period) to the payroll register and agree the underlying information to payroll and personnel records.</p> <p>(2) Evaluate whether the selected employee is eligible to participate in the plan based on the eligibility criteria included in the plan document.</p> <p>(3) Recalculate service credits.</p> <p>c. Select a sample of employees from the employer’s payroll system to determine whether they are properly enrolled in the plan and included in the census data file or properly excluded from the plan.</p>		
<input type="checkbox"/> C, R/O	<p>15. For <i>agent multiple-employer pensions</i>, obtain from the plan evidence regarding the completeness and accuracy of census data maintained by the plan, review the plan auditor’s report and any related opinion modifications or exceptions, assess other matters discussed in the report, and evaluate whether the plan auditor’s report is adequate and appropriate for employer auditor purposes.</p>		

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<input type="checkbox"/> E/O, C, V, A/CL	<p>b. Obtain a detailed schedule of changes in fiduciary net position for the plan that includes all additions and deductions for the measurement period and perform the following procedures:</p> <ul style="list-style-type: none"> (1) Trace beginning fiduciary net position to the prior year audited financial statements. (2) Test relevant elements of additions (for example, contributions and investment income) and deductions (for example, benefit payments and administrative expenses) during the measurement period. <p>18. For <i>agent multiple-employer pensions</i>, perform the following procedures for fiduciary net position:</p> <ul style="list-style-type: none"> a. Obtain from the plan an audited schedule of changes in fiduciary net position by employer for the measurement period and perform the following procedures on amounts specific to the employer: <ul style="list-style-type: none"> (1) Trace beginning fiduciary net position for the employer to the prior year audited financial statements. (2) Verify the completeness and accuracy of the employer and employee contributions attributed to the employer. (3) Perform analytical procedures over benefit payments by developing an expectation based on prior year benefit payments adjusted for changes in employer census data. (4) Perform analytical procedures on investment income and administrative expense by developing an expectation based on total investment income and administrative expense for the plan as a whole multiplied by the employer's relative percentage of fiduciary net position. (5) Recalculate ending fiduciary net position. b. Determine whether the plan engaged an auditor to opine on the schedule of changes in fiduciary net position by employer either through (1) an opinion on the schedule as a whole combined with a SOC 1 type 2 report on the controls over the calculation and allocation of additions and deductions to employer accounts or (2) an opinion on each employer column in the schedule. 		

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<input type="checkbox"/> E/O, C, V	<p>s 19. For <i>single-employer and agent multiple-employer pensions</i>, obtain a detailed schedule of deferred outflows of resources and deferred inflows of resources by type and period for the employer and perform the following procedures:</p> <ul style="list-style-type: none"> a. Recalculate current year gross incremental deferrals for differences between actual and expected experience and changes in assumptions based on information in the actuarial valuation report used to measure the net pension liability. b. Recalculate the current year gross incremental deferral for the difference between projected and actual earnings on plan investments for the measurement period. c. Recalculate the amortization of the current period deferral for differences between projected and actual earnings on plan investments by dividing the gross incremental deferral by five years. d. Verify contributions made after the measurement date and before the employer's year-end and compare to the amount reported as deferred outflows of resources. e. Test the mathematical accuracy of the total deferred outflows of resources and deferred inflows of resource by type as of the measurement date and the total amortization for the measurement period. 		
<input type="checkbox"/> E/O, C, V	<p>s 20. For <i>single-employer and agent multiple-employer pensions</i>, obtain a detailed schedule of pension expense for the measurement period, and perform the following procedures:</p> <ul style="list-style-type: none"> a. Trace total service cost to the actuarial valuation used to measure the total pension liability. b. Trace employee contributions to audited plan financial statements, if applicable. c. Recalculate interest on the total pension liability by multiplying beginning total pension liability, adjusted for service cost and actual benefit payments, by the discount rate. 		

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<input type="checkbox"/> E/O, C, R/O, V, A/CL	<p>d. Trace changes in benefit terms to the actuarial valuation report and procedures performed related to the total pension liability.</p> <p>e. Compare plan administrative costs to audited plan financial statements, if applicable.</p> <p>f. Recalculate projected earnings on plan investments by multiplying beginning plan fiduciary net position (adjusted for contributions), actual benefit payments, and actual administrative expenses, by the long-term expected rate of return on plan investments.</p> <p>g. Reconcile to amounts of deferred outflows of resources and deferred inflows of resources recognized as pension expense.</p> <p>h. Test the mathematical accuracy of total pension expense based on individual components.</p> <p>GASBS No. 68—Cost-sharing Multiple-employer Defined Benefit Pension Plan</p> <p>s 21. If the governmental unit participates in a <i>cost-sharing multiple-employer</i> defined benefit pension plan accounted for and reported under GASBS No. 68, perform the following procedures:</p> <p>a. Obtain the following schedules and related notes: (1) an audited schedule of employer allocations and (2) an audited schedule of pension amounts by employer.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • Under GASBS No. 68, a governmental unit participating in a cost-sharing plan recognizes its proportionate share of the plan's collective amounts of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. • The financial statements of cost-sharing plans are required to include only the net pension liability for the plan as a whole (i.e., the collective NPL); there is no requirement to include each employer's share of the collective NPL. Cost-sharing plans are also not required to include deferred outflows of resources or deferred inflows of resources by category or pension expense for all participating employers. 		

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	<ul style="list-style-type: none"> • SLG, Chapter 13, Appendix B, <i>Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting</i>, which is derived from an AICPA whitepaper of the same name, recommends that cost-sharing plans prepare the following schedules to provide information for participating employers and their auditors and present them as either stand-alone schedules or as supplemental schedules to the plan financial statements: <ul style="list-style-type: none"> •• A schedule of employer allocations that displays (1) the proportionate relationship of each employer to all employers and (2) each employer's allocation percentage. The plan auditor would audit and report on this schedule in accordance with AU-C 805. •• A schedule of pension amounts by employer that displays the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the sum of all participating entities included in this schedule. The plan auditor would audit and report on <i>each of these elements</i> (that is, on total net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense) included on this schedule in accordance with AU-C 805. • While a schedule of pension amounts by employer is recommended, a simpler schedule might be prepared that excludes employer-specific amounts. • SLG, Chapter 13, Appendix B, cautions that if a cost-sharing plan does not implement the recommendations to prepare the additional schedules and engage the plan auditor to opine on them, employer auditors will likely <i>not</i> be able to provide unmodified opinions on opinion units that have material pension amounts. Unaudited information provided by the plan to participating employers to support allocations or pension amounts would not constitute sufficient appropriate audit evidence upon which employer auditors could base their opinions. • An auditing interpretation at AU-C 9500.27 states that the employer auditor may use the plan auditor's report on the schedules as evidence that amounts allocated to the employer and included in the employer's financial statements are not materially misstated. To do so, the employer auditor should— <ul style="list-style-type: none"> •• Verify and recalculate amounts specific to the employer, including the calculation of the allocation percentage and the amounts allocated to the employer based on the allocation percentage. •• Evaluate whether the schedules and report are adequate and appropriate for the employer auditor's purposes (for example, by reviewing the report and any related opinion modifications and assessing other matters discussed in the report). •• Evaluate whether the plan auditor has the necessary competence and independence for the employer auditor's purposes. <p>b. Using the schedule of employer allocations, recalculate employer-specific amounts and trace them to the employer's records.</p>		

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<input type="checkbox"/> E/O, C, V	s 22. Obtain the audited plan financial statements and perform the following procedures: a. Agree or reconcile the net pension liability reported in the schedule of pension amounts to the net pension liability disclosed in the notes to the plan financial statements. b. Agree the fiduciary net position component of the net pension liability disclosed in the notes to the plan financial statements to that reported in the plan statement of fiduciary net position.		
<input type="checkbox"/> E/O, C, V	s 23. Obtain a detailed schedule of employer-specific deferred outflows of resources and deferred inflows of resources by period and by type (including contributions made after the measurement date, changes in proportion, and differences between the employer's actual contributions and its proportionate share of total employer contributions) and perform the following procedures: a. Compare contributions made after the measurement and before the employer's year-end to the amount reported as deferred outflows of resources. b. Agree amortization schedules and periods for prior period deferral amounts to prior year workpapers and audited financial statements. c. Recalculate current year gross incremental deferrals for changes in proportion and differences between the employer's actual contributions and its proportionate share of total employer contributions. d. Recalculate the amortization amount for current period incremental deferrals for changes in proportion and differences between the employer's actual contributions and its proportionate share of total employer contributions (for example, by dividing the current respective gross incremental deferrals by the current year amortization period for the plan).		

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<input type="checkbox"/> s C, V, A/CL	<p>d. Select a sample of active plan members and perform the following procedures:</p> <ol style="list-style-type: none"> (1) Trace details included in the applicable payroll transmission report (for example, name, position or job code, periods of time worked, pensionable wages for the period, employer contribution for period, and employee contribution for the period) to the payroll register, and agree the underlying information to the employer's payroll and personnel records. (2) Evaluate whether the selected employee is eligible to participate in the plan based on the eligibility criteria included in the plan document. (3) Recalculate service credits. <p>GASBS No. 73—Single-employer and Multiple-employer Plans</p> <p>26. For defined benefit pensions accounted for under GASBS No. 73, perform the following procedures for the total pension liability (TPL):</p> <ol style="list-style-type: none"> a. Obtain the client's calculation of the total pension liability, trace the total pension liability to the actuarial valuation report, and test the mathematical accuracy of the calculation of the total pension liability. b. Read the actuarial certification (in the actuarial valuation report) for potential exclusions from the scope of the actuary's work or for qualifications on the actuary's certification relating to actuarial methods, actuarial assumptions, or census data. c. Evaluate whether the methods and assumptions used in determining the TPL are in accordance with GASBS No. 73 and Actuarial Standards of Practice and are the same as those used by the plan. <p>Practical Consideration:</p> <ul style="list-style-type: none"> • GASBS No. 82, <i>Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73</i>, paragraph 7, explains that for the purpose of selecting assumptions used in determining the TPL and related measures, a deviation from the guidance in an Actuarial Standard of Practice should not be considered in conformity with GASBS No. 73. <p>d. Determine whether the actuarial valuation was performed as of a date no more than 30 months and 1 day earlier than the employer's fiscal year-end.</p>		

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<input type="checkbox"/> C, R/O	<p>s 27. For <i>single-employer and agent multiple-employer plans</i>, obtain the census data provided to the actuary and perform the following procedures:</p> <ul style="list-style-type: none"> e. If the actuarial valuation was performed as of a date prior to the measurement date, review the appropriateness of update procedures used to roll forward the TPL to the measurement date and determine whether all significant known events occurring between the valuation date and the measurement date have been properly included. a. If the actuarial certification (in the actuarial valuation report) identified any exceptions related to census data, determine that resolution of the exception(s) was appropriate. b. Obtain and test a reconciliation of aggregate census data (such as the number of members and pensionable wages reported in the census data file) to amounts shown in the latest actuarial valuation report. c. If the census data was obtained from the plan, perform the following procedures: <ul style="list-style-type: none"> (1) Confirm with the actuary that the information is the same as that reported to and used by the actuary. (2) Confirm with the actuary whether any information was missing or whether changes were made to the census data file provided by plan management. (3) If applicable, evaluate the potential impact on the TPL of assumptions the actuary used in changing census data (for example, corrections to address missing data). d. Obtain and test a rollforward of the census data from the previous census data file to the current census data file, including testing significant reconciling items. e. Compare the number of plan members for the current census data file to the number for the previous census data file, and the number of plan members to the total number of employees. <p>Practical Considerations:</p> <ul style="list-style-type: none"> • Consider disaggregating the analysis in various ways [such as by employee age and status (i.e., active, inactive employees entitled to but not yet receiving benefits, or inactive employees or their beneficiaries receiving benefits)]. 		

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<input type="checkbox"/> C, R/O	<p>• The census data must be tested for the data reported to the plan since the last valuation. Some plans may obtain biennial valuations requiring testing of the information for the prior year and current year rather than only the current year.</p> <p>s 28. For <i>single-employer and agent multiple-employer pensions</i>, obtain from the employer a list of new employees hired from the previous valuation to the current valuation and perform the following procedures:</p> <p>a. Select a sample and determine that eligible new employees were appropriately enrolled in the plan and properly included in the census data file.</p> <p>b. For each employee selected, trace participant information (such as name, Social Security number, birth date, gender, hire date, marital status, and position or job code) to the employer's personnel records.</p>		
<input type="checkbox"/> C, R/O	<p>s 29. For <i>single-employer pensions</i>, select a sample of active members from the census data file and a sample of active members from the employer's payroll registers from the previous valuation to the current valuation, and perform the following procedures:</p> <p>a. Evaluate whether the employee is eligible to participate in the plan based on the eligibility criteria included in the plan document.</p> <p>b. Trace static census data (such as name, birth date, hire date, gender, and spouse's birth date) in the current census data file to the prior census data file.</p> <p>c. For significant elements of census data that change based on current-year events and activity (such as service credits, pensionable wages, and marital status), trace the incremental changes to the employer's payroll and personnel records and recalculate the data in the current census data file based on the prior census data file and the incremental changes.</p>		
<input type="checkbox"/> C, R/O	<p>s 30. For <i>single-employer pensions</i>, perform the following procedures for inactive members:</p> <p>a. Select a sample of inactive members entitled to but not yet receiving benefits and compare the information in the current census data file and the prior census data file.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • Consider selecting a sample from the current census data file and a sample from prior census data file. 		

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<input type="checkbox"/> C, R/O	<p>b. Select a sample of inactive members currently receiving benefits and perform the following procedures:</p> <ol style="list-style-type: none"> (1) Compare the static census data information in the current census data file and the prior census data file. (2) Trace or recalculate the significant elements of census data that change based on criteria in the plan document (for example, test the retirement benefit by comparing it to the benefit payment in the prior census data file and recalculating the current benefit payment based on the cost of living adjustment for the current year). (3) Trace benefit payments in the census data file to the general ledger detail. (4) Determine that the retiree (or beneficiary, if applicable) is not deceased based on a cross-match of Social Security numbers. <p>Practical Consideration:</p> <ul style="list-style-type: none"> • These procedures may not be necessary if the employer auditor obtains evidence from the plan. <p>31. For <i>agent multiple-employer pensions</i>, perform the following procedures:</p> <ol style="list-style-type: none"> a. Obtain a list of status changes reported to the plan from the previous valuation to the current valuation (other than those reported through the employer’s payroll transmission reports) and test a sample to determine that they were appropriate based on relevant plan criteria and the employer’s underlying payroll and personnel records. b. Select a sample of active members and perform the following procedures: <ol style="list-style-type: none"> (1) Trace details included in the payroll transmission report (such as name, position or job code, periods of time worked, pensionable wages for the period, employer contribution for the period, and employee contribution for the period) to the payroll register and agree the underlying information to payroll and personnel records. (2) Evaluate whether the selected employee is eligible to participate in the plan based on the eligibility criteria included in the plan document. (3) Recalculate service credits. 	<div style="background-color: #cccccc; height: 40px; width: 100%;"></div>	

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<input type="checkbox"/> C, R/O	<p>c. Select a sample of employees from the employer's payroll system to determine whether they are properly enrolled in the plan and included in the census data file or properly excluded from the plan.</p> <p>32. For <i>agent multiple-employer pensions</i>, obtain from the plan evidence regarding the completeness and accuracy of census data maintained by the plan, review the plan auditor's report and any related opinion modifications or exceptions, assess other matters discussed in the report, and evaluate whether the plan auditor's report is adequate and appropriate for employer auditor purposes.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> Such evidence might be, for example, either (a) a SOC 1 type 2 report on controls over census data maintained by the plan or (b) an examination report (opinion) on plan management's assertion relating to the completeness and accuracy of census data maintained by the plan. 		
<input type="checkbox"/> E/O, C, V, A/CL	<p>s 33. Obtain a rollforward schedule that projects future benefits and a discount rate calculation schedule, and perform the following procedures:</p> <p>a. Test the mathematical accuracy of the schedules.</p> <p>b. Evaluate the reasonableness of projected future benefits based on age demographics of current plan members, projected retirement dates, projected benefit payments based on the applicable benefit formula, and mortality assumptions used in the actuarial valuation.</p> <p>c. Evaluate whether the projected benefit payments were properly discounted using an appropriate 20-year AA/Aa municipal bond yield or index rate as of the measurement date.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> GASBS No. 73, paragraph 31, states that the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or an equivalent quality on another rating scale). 		
<input type="checkbox"/> E/O, C, V	<p>s 34. Obtain a detailed schedule of pension expense for the measurement period, and perform the following procedures:</p> <p>a. Trace total service cost to the actuarial valuation used to measure the total pension liability.</p> <p>b. Recalculate interest on the total pension liability by multiplying beginning total pension liability, adjusted for service cost and actual benefit payments, by the discount rate.</p> <p>c. Trace changes in benefit terms to the actuarial valuation report.</p>		

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	<ul style="list-style-type: none"> • GASBS No. 73 provides similar guidance regarding a special funding situation except that the nonemployer contributing entity's payments are made directly to employees, not to the plan. <p>b. If it is unclear as to whether a special funding situation exists, confirm with the nonemployer contributing entity whether a special funding situation exists or request an opinion from the governmental unit's legal counsel.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • The letter at ALG-CL-11.4 can be used to request information from a nonemployer contributing entity regarding a special funding situation. <p>c. If there is a special funding situation, perform the following procedures:</p> <p>(1) Confirm with the nonemployer contributing entity its proportionate share of the collective net pension liability (or collective total pension liability, if GASBS No. 73 is applicable), deferred outflows of resources, deferred inflows of resources, and pension expense.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • The letter at ALG-CL-11.4 can be used to request information from a nonemployer contributing entity regarding a special funding situation. <p>(2) Evaluate whether the governmental unit's accounting for and reporting of the nonemployer contributing entity's contributions are in accordance with GAAP for defined benefit plans or defined contribution plans, as applicable.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • A governmental unit participating in a defined benefit pension plan that has a special funding situation— <ul style="list-style-type: none"> •• Calculates and recognizes the NPL, deferred outflows of resources, deferred inflows of resources, and pension expense net of the nonemployer contributing entity's proportionate share of those amounts. •• Recognizes an additional expense and revenue equal to the nonemployer contributing entity's proportionate share of collective pension expense. • A governmental unit participating in a defined contribution pension plan recognizes revenue and an additional pension expense equal to the amount of expense recognized by a nonemployer contributing entity for pensions provided through the plan. 		

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<input type="checkbox"/> E/O, C, R/O, V, A/CL	<p>GASBS No. 45—Defined Benefit OPEB Plan</p> <p>37. If the governmental unit participates in a defined benefit OPEB plan accounted for and reported under GASBS No. 45, perform the following procedures:</p> <p>s a. Compare the recorded net OPEB obligation to the prior year amount or other auditor expectations. Investigate any unexpected results, considering known changes in the government’s activities, economic conditions, or GAAP requirements.</p> <p>b. Reconcile plan assets per the plan’s audited financial statements or the trustee’s report to amounts shown in the actuarial valuation report.</p> <p>c. Obtain the census data provided to the actuary and perform the following procedures:</p> <p>(1) Reconcile aggregate census data, such as number of employees and covered compensation, to amounts shown in the actuarial valuation report.</p> <p>(2) Compare selected census data (such as age, sex, marital status, current pay, term of employment, etc.) to payroll records.</p> <p>(3) Based on plan documents, make appropriate tests to determine whether all eligible employees are included in the census data provided to the actuary.</p> <p>s d. Determine that the governmental unit’s accounting and reporting for the OPEB is in accordance with GASBS No. 45.</p>		
<input type="checkbox"/> *	<p>GASBS No. 75—Single-employer and Agent Multiple-employer Defined Benefit OPEB Plans—Administered Through a Qualifying Trust</p> <p>s 38. If the governmental unit participates in a <i>single-employer or agent multiple-employer</i> defined benefit OPEB plan administered through a trust that meets the criteria in GASBS No. 75, paragraph 4 (i.e., a qualifying trust), perform the following procedures for the actuarial valuation report:</p> <p>a. Read the actuarial certification (in the actuarial valuation report) for potential exclusions from the scope of the actuary’s work or for qualifications on the actuary’s certification relating to actuarial methods, actuarial assumptions, or census data.</p>		

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<input type="checkbox"/> E/O, C, V, A/CL	<p>b. Evaluate whether the methods and assumptions used in determining the total OPEB liability are in accordance with GASBS No. 75 and Actuarial Standards of Practice and are the same as those used by the plan.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • GASBS No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>, paragraph 29, explains that for the purpose of selecting assumptions used in determining the total OPEB liability and related measures, a deviation from the guidance in an Actuarial Standard of Practice should not be considered in conformity with GASBS No. 75. <p>c. Determine whether the actuarial valuation was performed as of a date no more than 30 months and 1 day earlier than the employer’s fiscal year end.</p> <p>d. If the actuarial valuation was performed as of a date prior to the measurement date, review the appropriateness of update procedures used to roll forward the total OPEB liability to the measurement date and determine whether all significant known events occurring between the valuation date and the measurement date have been properly included.</p> <p>s 39. If the governmental unit participates in a <i>single-employer or agent multiple-employer</i> defined benefit OPEB plan administered through a qualifying trust, perform the following procedures for the net OPEB liability:</p> <p>a. Obtain the client’s calculation of the net OPEB liability and perform the following procedures:</p> <ol style="list-style-type: none"> (1) Trace the total OPEB liability and plan fiduciary net position to the actuarial valuation report. (2) Trace the plan fiduciary net position to the plan’s audited financial statements. (3) Test the mathematical accuracy of the calculation of the net OPEB liability. <p>Practical Considerations:</p> <ul style="list-style-type: none"> • The total OPEB liability is the actuarial present value of projected benefit payments for current plan members that is attributed to past employee service. • The net OPEB liability is the difference between the total OPEB liability and the plan net position. • The authors believe that, because the plan’s net position is a material component of the employer’s calculation of the net OPEB liability, if audited financial statements are not available for a single-employer plan, the employer auditor will need to perform additional procedures to obtain sufficient appropriate audit evidence about material amounts in the plan’s financial statements. 		

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	<p>b. Obtain the discount rate calculation schedule and a rollforward schedule that projects plan net position, employer and employee contributions, benefit payments, investment earnings, and plan administrative expenses.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • GASBS No. 85, <i>Omnibus 2017</i>, clarifies that payments made by the employer to satisfy contribution requirements identified by the plan's terms as member contribution requirements should be classified as plan member contributions, not employer contributions. <p>c. Verify the net position rollforward schedule by performing the following procedures:</p> <ol style="list-style-type: none"> (1) Trace the beginning plan fiduciary net position to the plan's audited financial statements. (2) Compare projected employer (including nonemployer contributing entity, if applicable) and employee contributions for the first year on the schedule to actual current year contributions in the plan's audited financial statements. (3) Evaluate the reasonableness of projected employer (including nonemployer contributing entity, if applicable) and employee contributions, considering age demographics of current employees and future increases in benefits. (4) Evaluate the reasonableness of projected employer (including nonemployer contributing entity, if applicable) contributions, considering the past five-year contribution history and any legal or contractual funding requirements. (5) Compare projected benefit payments for the first year on the schedule to actual current year benefit payments in the plan's audited financial statements. (6) Evaluate the reasonableness of the projected future benefits. <p>Practical Consideration:</p> <ul style="list-style-type: none"> • Projections of benefit payments should— <ul style="list-style-type: none"> •• Be based on claims costs, or age-adjusted premiums approximating claims costs, and the benefit terms and legal agreements existing at the measurement date. 	<div style="background-color: #cccccc; height: 20px; width: 100%;"></div>	

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	<ul style="list-style-type: none"> •• Incorporate the effects of projected salary changes (if the OPEB formula incorporates future compensation levels) and projected service credits (if the OPEB formula incorporates periods of service), as well as projected automatic postemployment benefit changes, including automatic cost-of-living-adjustments, and, if they are considered to be substantively automatic, the effects of ad hoc postemployment benefit changes. •• Include certain taxes or other assessments expected to be imposed on the benefit payments. •• Be discounted to their actuarial present value using the single rate that reflects (1) the long-term expected rate of return on OPEB plan investments to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and plan assets are expected to be invested using a strategy to achieve that return and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) to the extent that conditions for use of the long-term expected rate of return on investments are not met. <p>(7) Evaluate the appropriateness of projected investment earnings by recalculating investment earnings using the expected long-term rate of return on plan investments.</p> <p>(8) Test the mathematical accuracy of the rollforward schedule.</p> <p>d. Verify components of the discount rate calculation schedule by performing the following procedures:</p> <ol style="list-style-type: none"> (1) Trace the fiduciary net position, projected contributions, and projected benefit payments for each year on the discount rate calculation schedule to the net position rollforward schedule. (2) Determine for each year on the discount rate calculation schedule whether the beginning net position is sufficient to cover that year's projected benefit payments. (3) For future years in which beginning fiduciary net position is sufficient to pay projected benefits for the respective year, determine whether the projected benefit payments were properly discounted using the long-term expected rate of return on plan investments. 		

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<input type="checkbox"/> C, R/O	<p>(4) For future years in which beginning fiduciary net position is not sufficient to pay projected benefits for the respective year, determine whether the projected benefit payments were properly discounted using an appropriate 20-year AA municipal bond yield or index rate as of the measurement date.</p> <p>(5) Recalculate the single (blended) discount rate.</p> <p>(6) Evaluate the reasonableness and propriety of the discount rates, including the single blended rate.</p> <p>(7) Test the mathematical accuracy of the schedule.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • When projected benefit payments are not fully covered by the plan net position plus projected contributions, the discount rate has to be a blended rate based on the long-term expected rate of return on investments and a municipal bond rate [a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale)]. • Determination of the blended discount rate requires calculating the actuarial present value of projected benefit payments in a two-phase process: (1) the long-term expected rate of return is applied to the portion of plan assets for which the plan net position plus projected contributions are expected to fully cover projected benefit payments; and (2) the municipal bond rate is applied beginning at the crossover point where projected benefit payments exceed plan net position plus projected contributions. Accordingly, the discount rate is the single blended rate that, when applied to all projected benefit payments, achieves the actuarial present value equal to the total calculated in (1) and (2). • An Emphasis Point at SLG, Paragraph 14.96j, explains that the long-term expected rate of return used in the calculation of the discount rate must be forward-looking and based on the appropriate expected long-term rate of return that considers target asset allocations. The auditor is cautioned to avoid evaluating the reasonableness of management’s assumption regarding the long-term expected rate of return solely based on retrospective analysis of historical investment returns or comparison to the rate used by other plans. <p>s 40. For <i>single-employer and agent multiple-employer plans</i> administered through a qualifying trust, obtain the census data provided to the actuary and perform the following procedures:</p> <ol style="list-style-type: none"> a. If the actuarial certification (in the actuarial valuation report) identified any exceptions related to census data, determine that resolution of the exception(s) was appropriate. b. Obtain and test a reconciliation of aggregate census data (such as the number of members and covered compensation reported in the census data file) to amounts shown in the latest actuarial valuation report. 		

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<input type="checkbox"/> C, R/O	<p>c. If the census data was obtained from the plan, perform the following procedures:</p> <ul style="list-style-type: none"> (1) Confirm with the actuary that the information is the same as that reported to and used by the actuary. (2) Confirm with the actuary whether any information was missing or whether changes were made to the census data file provided by plan management. (3) If applicable, evaluate the potential impact on the total OPEB liability of assumptions the actuary used in changing census data (for example, corrections to address missing data). <p>d. Obtain and test a rollforward of the census data from the previous census data file to the current census data file, including testing significant reconciling items.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • The census data must be tested for the data reported to the plan since the last valuation. Some plans may obtain biennial valuations requiring testing of the information for the prior year and current year rather than only the current year. <p>e. Compare the number of plan members for the current census data file to the number for the prior census data file, and the number of plan members to the total number of employees.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • Consider disaggregating the analysis in various ways [such as by employee age and status (i.e., active, inactive employees entitled to but not yet receiving benefits, or inactive employees or their beneficiaries receiving benefits)]. 	<div style="background-color: #cccccc; height: 100px; width: 100%;"></div>	
	<p>s 41. For <i>single-employer and agent multiple-employer OPEB</i>, obtain from the employer a list of new employees hired since the previous valuation and perform the following procedures:</p> <ul style="list-style-type: none"> a. Select a sample and determine that eligible new employees were appropriately enrolled in the plan and properly included in the census data file. 	<div style="background-color: #cccccc; height: 100px; width: 100%;"></div>	

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Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
<input type="checkbox"/> C, R/O	<p>b. For each employee selected, trace participant information (such as name, Social Security number, birth date, gender, hire date, marital status, and position or job code) to the employer's personnel records.</p> <p>s 42. For <i>single-employer OPEB</i>, select a sample of active members from the census data file and a sample of active members from the employer's payroll registers from the valuation to the current valuation, and perform the following procedures:</p> <p>a. Evaluate whether the employee is eligible to participate in the plan based on the eligibility criteria included in the plan document.</p> <p>b. Trace static census data (such as name, birth date, hire date, gender, and spouse's birth date) in the current census data file to the prior census data file.</p> <p>c. For significant elements of census data that change based on current-year events and activity (such as service credits, covered compensation, and marital status), trace the incremental changes to the employer's payroll and personnel records and recalculate the data in the current census data file based on the prior census data file and the incremental changes.</p>		
<input type="checkbox"/> C, R/O	<p>s 43. For <i>single-employer OPEB</i>, perform the following procedures for inactive members:</p> <p>a. Select a sample of inactive members entitled to but not yet receiving benefits and compare the information in the current census data file and the prior census data file.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • Consider selecting a sample from the current census data file and a sample from prior census data file. <p>b. Select a sample of inactive members currently receiving benefits and perform the following procedures:</p> <p>(1) Compare the static census data information in the current census data file and the prior census data file.</p> <p>(2) Trace or recalculate the significant elements of census data that change based on criteria in the plan document (for example, test the benefit by comparing it to the benefit payment in the prior census data file and recalculating the current benefit payment based on the cost of living adjustment for the current year).</p> <p>(3) Trace benefit payments in the census data file to the general ledger detail.</p>		

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Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
<input type="checkbox"/> E/O, C, V, A/CL	<p>b. Obtain a detailed schedule of changes in fiduciary net position for the plan that includes all additions and deductions for the measurement period and perform the following procedures:</p> <ul style="list-style-type: none"> (1) Trace beginning fiduciary net position to the prior year audited financial statements. (2) Test relevant elements of additions (for example, contributions and investment income) and deductions (for example, benefit payments and administrative expenses) during the measurement period. <p>48. For <i>agent multiple-employer OPEB</i>, perform the following procedures for fiduciary net position:</p> <ul style="list-style-type: none"> a. Obtain from the plan an audited schedule of changes in fiduciary net position by employer for the measurement period and perform the following procedures on amounts specific to the employer: <ul style="list-style-type: none"> (1) Trace beginning fiduciary net position for the employer to the prior year audited financial statements. (2) Verify the completeness and accuracy of the employer and employee contributions attributed to the employer. (3) Perform analytical procedures over benefit payments by developing an expectation based on prior year benefit payments adjusted for changes in employer census data. (4) Perform analytical procedures on investment income and administrative expense by developing an expectation based on total investment income and administrative expense for the plan as a whole multiplied by the employer's relative percentage of fiduciary net position. (5) Recalculate ending fiduciary net position. b. Determine whether the plan engaged an auditor to opine on the schedule of changes in fiduciary net position by employer either through (1) an opinion on the schedule as a whole combined with a SOC 1 type 2 report on the controls over the calculation and allocation of additions and deductions to employer accounts or (2) an opinion on each employer column in the schedule. 		

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<input type="checkbox"/> E/O, C, V	<p>s 49. For <i>single-employer and agent multiple-employer OPEB</i>, obtain a detailed schedule of deferred outflows of resources and deferred inflows of resources by type and period for the employer and perform the following procedures:</p> <ul style="list-style-type: none"> c. Review the plan auditor’s report and any related opinion modifications, assess other matters discussed in the report, and evaluate whether the plan auditor’s report is adequate and appropriate for employer auditor purposes. d. Reconcile totals in the schedule of OPEB amounts in Step a. to those reported in the audited plan financial statements. a. Recalculate current year gross incremental deferrals for differences between actual and expected experience and changes in assumptions based on information in the actuarial valuation report used to measure the net OPEB liability. b. Recalculate the current year gross incremental deferral for the difference between projected and actual earnings on plan investments for the measurement period. c. Recalculate the amortization of the current period deferral for differences between projected and actual earnings on plan investments by dividing the gross incremental deferral by five years. d. Verify contributions made after the measurement date and before the employer’s year-end and compare to the amount reported as deferred outflows of resources. e. Test the mathematical accuracy of the total deferred outflows of resources and deferred inflows of resource by type as of the measurement date and the total amortization for the measurement period. 		
<input type="checkbox"/> E/O, C, V	<p>s 50. For <i>single-employer and agent multiple-employer OPEB</i>, obtain a detailed schedule of OPEB expense for the measurement period, and perform the following procedures:</p> <ul style="list-style-type: none"> a. Trace total service cost to the actuarial valuation used to measure the total OPEB liability. b. Trace employee contributions to audited plan financial statements, if applicable. c. Recalculate interest on the total OPEB liability by multiplying beginning total OPEB liability, adjusted for service cost and actual benefit payments, by the discount rate. d. Trace changes in benefit terms to the actuarial valuation report and procedures performed related to the total OPEB liability. 		

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<input type="checkbox"/> E/O, C, R/O, V, A/CL	<p>e. Compare plan administrative costs to audited plan financial statements, if applicable.</p> <p>f. Recalculate projected earnings on plan investments by multiplying beginning plan fiduciary net position (adjusted for contributions), actual benefit payments, and actual administrative expenses, by the long-term expected rate of return on plan investments.</p> <p>g. Reconcile to amounts of deferred outflows of resources and deferred inflows of resources recognized as OPEB expense.</p> <p>h. Test the mathematical accuracy of total OPEB expense based on individual components.</p> <p>GASBS No. 75—Cost-sharing Multiple-employer Defined Benefit OPEB Plan—Administered Through a Qualifying Trust</p> <p>s 51. If the governmental unit participates in a <i>cost-sharing multiple-employer</i> defined benefit OPEB plan administered through a trust that meets the criteria in GASBS No. 75, paragraph 4 (i.e., a qualifying trust), accounted for and reported under GASBS No. 75, perform the following procedures:</p> <p>a. Obtain the following schedules and related notes: (1) an audited schedule of employer allocations and (2) an audited schedule of OPEB amounts by employer.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • Under GASBS No. 75, a governmental unit participating in a cost-sharing plan recognizes its proportionate share of the plan's collective amounts of the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. • The financial statements of cost-sharing plans are required to include only the net OPEB liability for the plan as a whole (i.e., the collective net OPEB liability); there is no requirement to include each employer's share of the collective net OPEB liability. Cost-sharing plans are also not required to include deferred outflows of resources or deferred inflows of resources by category or OPEB expense for all participating employers. 		

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	<ul style="list-style-type: none"> • An emphasis point to Part III of SLG, Chapter 14, indicates that information relating to pensions in SLG, Chapter 13, Appendix B, <i>Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting</i>, would also be applicable to OPEB. SLG, Chapter 13, Appendix B, which is based on an AICPA whitepaper of the same name, recommends that cost-sharing plans prepare the following schedules to provide information for participating employers and their auditors and present them as either stand-alone schedules or as supplemental schedules to the plan financial statements: <ul style="list-style-type: none"> •• A schedule of employer allocations that displays (1) the proportionate relationship of each employer to all employers and (2) each employer’s allocation percentage. The plan auditor would audit and report on this schedule in accordance with AU-C 805. •• A schedule of pension [OPEB] amounts by employer that displays the collective net pension [OPEB] liability, deferred outflows of resources, deferred inflows of resources, and pension [OPEB] expense for the sum of all participating entities included in this schedule. The plan auditor would audit and report on <i>each of these elements</i> (that is, on total net pension [OPEB] liability, total deferred outflows of resources, total deferred inflows of resources, and total pension [OPEB] expense) included on this schedule in accordance with AU-C 805. • While a schedule of pension [OPEB] amounts by employer is recommended, a simpler schedule might be prepared that excludes employer-specific amounts. • If a cost-sharing plan does not implement the recommendations to prepare the additional schedules and engage the plan auditor to opine on them, employer auditors will likely <i>not</i> be able to provide unmodified opinions on opinion units that have material OPEB amounts. Unaudited information provided by the plan to participating employers to support allocations or OPEB amounts would not constitute sufficient appropriate audit evidence upon which employer auditors could base their opinions. • The authors recommend considering a pension-related auditing interpretation at AU-C 9500.27, which states that the employer auditor may use the plan auditor’s report on the schedules as evidence that amounts allocated to the employer and included in the employer’s financial statements are not materially misstated. To do so, the employer auditor should— <ul style="list-style-type: none"> •• Verify and recalculate amounts specific to the employer, including the calculation of the allocation percentage and the amounts allocated to the employer based on the allocation percentage. •• Evaluate whether the schedules and report are adequate and appropriate for the employer auditor’s purposes (for example, by reviewing the report and any related opinion modifications and assessing other matters discussed in the report). •• Evaluate whether the plan auditor has the necessary competence and independence for the employer auditor’s purposes. 		

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<input type="checkbox"/> E/O, C, V	<p>s 52. Obtain the audited plan financial statements and perform the following procedures:</p> <ul style="list-style-type: none"> b. Using the schedule of employer allocations, recalculate employer-specific amounts and trace them to the employer's records. c. Recalculate the allocated OPEB amounts for the employer by multiplying the collective OPEB amounts for the plan by the employer's proportionate share (i.e., allocation percentage). a. Agree or reconcile the net OPEB liability reported in the schedule of OPEB amounts to the net OPEB liability disclosed in the notes to the plan financial statements. b. Agree the fiduciary net position component of the net OPEB liability disclosed in the notes to the plan financial statements to that reported in the plan statement of fiduciary net position. 		
<input type="checkbox"/> E/O, C, V	<p>s 53. Obtain a detailed schedule of employer-specific deferred outflows of resources and deferred inflows of resources by period and by type (including contributions made after the measurement date, changes in proportion, and differences between the employer's actual contributions and its proportionate share of total employer contributions) and perform the following procedures:</p> <ul style="list-style-type: none"> a. Compare contributions made after the measurement and before the employer's year-end to the amount reported as deferred outflows of resources. b. Agree amortization schedules and periods for prior period deferral amounts to prior year workpapers and audited financial statements. c. Recalculate current year gross incremental deferrals for changes in proportion and differences between the employer's actual contributions and its proportionate share of total employer contributions. d. Recalculate the amortization amount for current period incremental deferrals for changes in proportion and differences between the employer's actual contributions and its proportionate share of total employer contributions (for example, by dividing the current respective gross incremental deferrals by the current year amortization period for the plan). 		

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<input type="checkbox"/> s C, V, A/CL	<p>d. Select a sample of active plan members and perform the following procedures:</p> <ol style="list-style-type: none"> (1) Trace details included in the applicable payroll transmission report (for example, name, position or job code, periods of time worked, covered compensation for the period, employer contribution for period, and employee contribution for the period) to the payroll register, and agree the underlying information to the employer's payroll and personnel records. (2) Evaluate whether the selected employee is eligible to participate in the plan based on the eligibility criteria included in the plan document. (3) Recalculate service credits. <p>GASBS No. 75—Single-employer and Multiple-employer Plans—Not Administered Through a Qualifying Trust</p> <p>56. For defined benefit OPEB not administered through a trust that meets the criteria in GASBS No. 75, paragraph 4, perform the following procedures for the total OPEB liability:</p> <ol style="list-style-type: none"> a. Obtain the client's calculation of the total OPEB liability, trace the total OPEB liability to the actuarial valuation report, and test the mathematical accuracy of the calculation of the total OPEB liability. b. Read the actuarial certification (in the actuarial valuation report) for potential exclusions from the scope of the actuary's work or for qualifications on the actuary's certification relating to actuarial methods, actuarial assumptions, or census data. c. Evaluate whether the methods and assumptions used in determining the total OPEB liability are in accordance with GASBS No. 75 and Actuarial Standards of Practice and are the same as those used by the plan. <p>Practical Consideration:</p> <ul style="list-style-type: none"> • GASBS No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>, paragraph 148, explains that for the purpose of selecting assumptions used in determining the total OPEB liability and related measures, a deviation from the guidance in an Actuarial Standard of Practice should not be considered in conformity with GASBS No. 75. <p>d. Determine whether the actuarial valuation was performed as of a date no more than 30 months and 1 day earlier than the employer's fiscal year-end.</p>		

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<input type="checkbox"/> C, R/O	<p>s 57. Obtain the census data provided to the actuary and perform the following procedures:</p> <ul style="list-style-type: none"> e. If the actuarial valuation was performed as of a date prior to the measurement date, review the appropriateness of update procedures used to roll forward the total OPEB liability to the measurement date and determine whether all significant known events occurring between the valuation date and the measurement date have been properly included. a. If the actuarial certification (in the actuarial valuation report) identified any exceptions related to census data, determine that resolution of the exception(s) was appropriate. b. Obtain and test a reconciliation of aggregate census data (such as the number of members and covered compensation reported in the census data file) to amounts shown in the latest actuarial valuation report. c. If the census data was obtained from the plan, perform the following procedures: <ul style="list-style-type: none"> (1) Confirm with the actuary that the information is the same as that reported to and used by the actuary. (2) Confirm with the actuary whether any information was missing or whether changes were made to the census data file provided by plan management. (3) If applicable, evaluate the potential impact on the total OPEB liability of assumptions the actuary used in changing census data (for example, corrections to address missing data). d. Obtain and test a rollforward of the census data from the previous census data file to the current census data file, including testing significant reconciling items. <p>Practical Consideration:</p> <ul style="list-style-type: none"> • The census data must be tested for the data reported to the plan since the last valuation. Some plans may obtain biennial valuations requiring testing of the information for the prior year and current year rather than only the current year. e. Compare the number of plan members for the current census data file to the number for the prior census data file, and the number of plan members to the total number of employees. 		

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<input type="checkbox"/> C, R/O	<p>Practical Consideration:</p> <ul style="list-style-type: none"> Consider disaggregating the analysis in various ways [such as by employee age and status (i.e., active, inactive employees entitled to but not yet receiving benefits, or inactive employees or their beneficiaries receiving benefits)]. <p>s 58. Obtain from the employer a list of new employees hired since the previous valuation to the current valuation and perform the following procedures:</p> <ol style="list-style-type: none"> Select a sample and determine that eligible new employees were appropriately enrolled in the plan and properly included in the census data file. For each employee selected, trace participant information (such as name, Social Security number, birth date, gender, hire date, marital status, and position or job code) to the employer's personnel records. 		
<input type="checkbox"/> C, R/O	<p>s 59. Select a sample of active members from the census data file and a sample of active members from the employer's payroll registers from the previous valuation to the current valuation, and perform the following procedures:</p> <ol style="list-style-type: none"> Evaluate whether the employee is eligible to participate in the plan based on the eligibility criteria included in the plan document. Trace static census data (such as name, birth date, hire date, gender, and spouse's birth date) in the current census data file to the prior census data file. For significant elements of census data that change based on current-year events and activity (such as service credits, covered compensation, and marital status), trace the incremental changes to the employer's payroll and personnel records and recalculate the data in the current census data file based on the prior census data file and the incremental changes. 		
<input type="checkbox"/> C, R/O	<p>s 60. Perform the following procedures for inactive members:</p> <ol style="list-style-type: none"> Select a sample of inactive members entitled to but not yet receiving benefits and compare the information in the current census data file and the prior census data file. <p>Practical Consideration:</p> <ul style="list-style-type: none"> Consider selecting a sample from the current census data file and a sample from prior census data file. <ol style="list-style-type: none"> Select a sample of inactive members currently receiving benefits and perform the following procedures: <ol style="list-style-type: none"> Compare the static census data information in the current census data file and the prior census data file. 		

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<input type="checkbox"/> s E/O, C, V, A/CL	<p>(2) Trace or recalculate the significant elements of census data that change based on criteria in the plan document (for example, test the benefit by comparing it to the benefit payment in the prior census data file and recalculating the current benefit payment based on the cost of living adjustment for the current year).</p> <p>(3) Trace benefit payments in the census data file to the general ledger detail.</p> <p>(4) Determine that the member (or beneficiary, if applicable) is not deceased based on a cross-match of Social Security numbers.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • These procedures may not be necessary if the employer auditor obtains evidence from the plan. <p>61. Obtain a rollforward schedule that projects future benefits and a discount rate calculation schedule, and perform the following procedures:</p> <p>a. Test the mathematical accuracy of the schedules.</p> <p>b. Evaluate the reasonableness of projected future benefits.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • Projections of benefit payments should— <ul style="list-style-type: none"> •• Be based on claims costs, or age-adjusted premiums approximating claims costs, and the benefit terms and legal agreements existing at the measurement date. •• Incorporate the effects of projected salary changes (if the OPEB formula incorporates future compensation levels) and service credits (if the OPEB formula incorporates periods of service), as well as projected automatic postemployment benefit changes, including automatic cost-of-living-adjustments, and, if they are considered to be substantively automatic, the effects of ad hoc postemployment benefit changes. •• Include certain taxes or other assessments expected to be imposed on the benefit payments. •• Be discounted to their actuarial present value using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). <p>c. Evaluate whether the projected benefit payments were properly discounted using an appropriate 20-year AA/Aa municipal bond yield or index rate as of the measurement date.</p>	<div style="background-color: #cccccc; height: 20px; width: 100%;"></div> <div style="background-color: #cccccc; height: 20px; width: 100%;"></div>	

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<input type="checkbox"/> E/O, C, V	<p>Practical Consideration:</p> <ul style="list-style-type: none"> • GASBS No. 75, paragraph 155, states that the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or an equivalent quality on another rating scale). <p>s 62. Obtain a detailed schedule of OPEB expense for the measurement period, and perform the following procedures:</p> <ol style="list-style-type: none"> a. Trace total service cost to the actuarial valuation used to measure the total OPEB liability. b. Recalculate interest on the total OPEB liability by multiplying beginning total OPEB liability, adjusted for service cost and actual benefit payments, by the discount rate. c. Trace changes in benefit terms to the actuarial valuation report. d. Reconcile to amounts of deferred outflows of resources and deferred inflows of resources recognized as OPEB expense. e. Test the mathematical accuracy of total OPEB expense based on individual components. 		
<input type="checkbox"/> E/O, C, V	<p>s 63. Obtain a detailed schedule of deferred outflows of resources and deferred inflows of resources by type and period and perform the following procedures:</p> <ol style="list-style-type: none"> a. Recalculate current year gross incremental deferrals for differences between actual and expected actual experience with regard to economic or demographic factors in the measurement of the total OPEB liability. b. Recalculate current year gross incremental deferrals for changes of assumptions about future economic or demographic factors or of other inputs. c. Verify contributions made after the measurement date and before the employer's year-end and compare to the amount reported as deferred outflows of resources. d. Verify amounts incurred by the employer for OPEB administrative expenses subsequent to the measurement date and before the employer's year-end and compare to the amount reported as deferred outflows of resources. e. Test the mathematical accuracy of the total deferred outflows of resources and deferred inflows of resources. 		

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Assertions	Audit Procedures for Consideration	N/A Performed by and Date	Workpaper Index
<input type="checkbox"/> E/O, C, R/O, V	<p>GASBS No. 75—Special Funding Situations</p> <p>64. For all OPEB plans (defined benefit and defined contribution) accounted for and reported under GASBS No. 75 that may have a special funding situation, perform the following procedures:</p> <p>a. Inquire of management and review statutes, the plan document, and other applicable documents to determine whether the plan has a special funding situation.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • Under GASBS No. 75, a special funding situation exists for a plan administered through a qualifying trust when a nonemployer contributing entity (such as a state government) is legally responsible for making contributions <i>directly</i> to the plan (including making benefit payments as the OPEB comes due for benefits provided through such a plan), and at least one of the following criteria is met: (1) the nonemployer contributing entity is the only entity that has a legal obligation to provide financial support directly to the plan, or (2) the amount of contributions or benefit payments the nonemployer contributing entity is legally responsible for making does not depend upon one or more circumstances or events that are not related to OPEB. • Similar guidance is provided for plans that are not administered through a qualifying trust except that the nonemployer contributing entity is legally required to make benefit payments directly as OPEB come due. <p>b. If it is unclear as to whether a special funding situation exists, confirm with the nonemployer contributing entity whether a special funding situation exists or request an opinion from the governmental unit’s legal counsel.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • The letter at ALG-CL-11.10 can be used to request information from a nonemployer contributing entity regarding a special funding situation. <p>c. If there is a special funding situation, perform the following procedures:</p> <p>(1) Confirm with the nonemployer contributing entity its proportionate share of the collective net OPEB liability (or collective total OPEB liability, if the plan is not administered through a qualifying trust), deferred outflows of resources, deferred inflows of resources, and OPEB expense.</p> <p>Practical Consideration:</p> <ul style="list-style-type: none"> • The letter at ALG-CL-11.10 can be used to request information from a nonemployer contributing entity regarding a special funding situation. 	<div style="background-color: #cccccc; height: 100px;"></div>	

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<input type="checkbox"/> *	<p>(2) Evaluate whether that the governmental unit's accounting for and reporting of the nonemployer contributing entity's contributions are in accordance with GAAP for defined benefit plans or defined contribution plans, as applicable.</p> <p>Practical Considerations:</p> <ul style="list-style-type: none"> • A governmental unit participating in a defined benefit OPEB plan that has a special funding situation— <ul style="list-style-type: none"> •• Calculates and recognizes the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense net of the nonemployer contributing entity's proportionate share of those amounts. •• Recognizes an additional expense and revenue equal to the nonemployer contributing entity's proportionate share of collective OPEB expense. • A governmental unit participating in a defined contribution OPEB plan recognizes revenue and an additional OPEB expense equal to the amount of expense recognized by a nonemployer contributing entity for OPEB provided through the plan. <p>Other Procedures for Additional Assurance</p> <p>65. Other additional procedures (describe):</p> <hr/> <hr/> <hr/> <hr/>	<div style="background-color: #cccccc; height: 200px; width: 100%;"></div>	

Other Audit Procedures for Payroll and Related Liabilities

Instructions: This section includes procedures related to the following less common circumstances. When such circumstances exist, a further risk assessment may be necessary to determine the extent to which the suggested procedures need to be applied.

On-behalf Payments

V, A/CL

If payments for salaries or fringe benefits (other than payments made pursuant to a special funding situation under GASBS No. 68, GASBS No. 73, or GASBS No. 75) are made on behalf of the governmental unit by another entity, perform the following procedures:

- a. Test the amount of the payments made through confirmation with the other paying entity or the third-party recipient(s) of the payments.
- b. Evaluate whether the employer government's accounting for and reporting of on-behalf payments are in accordance with GAAP.
- c. Obtain a summary of, or summarize in the workpapers, information on on-behalf payments for disclosure in notes to the financial statements.

Practical Considerations:

- See the discussion "On-behalf Payments" at section 903.
- If the employer government *is not* legally responsible for the payment of salaries or fringe benefits, it should recognize expenditures or expense equal to the amount it reports as revenue from the third-party contributor.
- If the employer government *is* legally responsible for the payment of salaries or fringe benefits, the governmental unit should follow accounting standards for that type of transaction to recognize expenditures or expense (i.e., follow standards related to employer accounting for pension or OPEB benefits related to on-behalf payments to a pension or OPEB plan).
- GASBS No. 24 does not require the employer government to allocate on-behalf payments to individual funds. However, the employer government may allocate revenues and expenditures or expenses related to on-behalf payments based on the salaries charged to individual funds. If on-behalf payments are recognized in only one fund, that fund is usually the general fund, unless the payments relate entirely to another fund type, such as an enterprise fund.
- GASBS Nos. 68, 73, 75, and 85 changed the employer's accounting and reporting requirements for pensions and OPEB, including the requirements relating to on-behalf payments made pursuant to a special funding situation. See section 904.

Governments in Chapter 9 Bankruptcy

C, R/O, V,
A/CL

If the government's payroll-related liabilities were adjusted in bankruptcy upon court approval of a new payment plan, perform the following procedures:

- a. Obtain and review a copy of the Plan of Adjustment and highlight matters relevant to the audit, including required disclosures.

- b. Inquire of responsible government officials about the Plan of Adjustment and other bankruptcy matters.
- c. If any legal requirements relevant to the audit are unclear, request a written interpretation from the governmental unit's legal counsel.
- d. Determine whether the liabilities have been remeasured in conformity with GAAP and the Plan of Adjustment.
- e. Determine whether gains or losses are properly reported as extraordinary items.
- f. Obtain a summary of, or summarize in the workpapers, the information needed for financial statement disclosures.

Practical Consideration:

- GASBS No. 58, *Accounting and Financial Reporting in Chapter 9 Bankruptcies*, is discussed in section 905.
-