



Louisiana Legislative Auditor *Audit Risk Alert*

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AUDIT RISK ALERT # 15

DATE: April 24, 2019 (updated October 13, 2021)

SUBJECT: Required participation in pension systems; bond indenture reporting requirements

Please share this information with your staff members who perform audit and other attestation engagements for local auditee clients.

Required participation in pension systems

There are eleven public retirement systems in Louisiana that offer benefits to employees who work for certain types of local government agencies:

- Louisiana Assessor's Retirement Fund
- Louisiana Clerks of Court Retirement and Relief Fund
- District Attorney's Retirement System
- Firefighters' Retirement System
- Municipal Employees' Retirement System of Louisiana
- Municipal Police Employees' Retirement System
- Parochial Employees' Retirement System of Louisiana
- Registrar of Voters Employees' Retirement System
- Sheriffs' Pension and Relief Fund
- Louisiana School Employees' Retirement System
- Teachers' Retirement System of Louisiana

Participation in some of these retirement systems is optional; participation in others is mandatory for certain classes of employees. A local government that does not remit the required employer and employee contributions to a retirement system may find itself faced with a potentially significant unrecorded liability.

AU-C 250.12 - .14 and *Government Auditing Standards* 6.15 requires a CPA to obtain an understanding of the laws and regulations that have a direct and material effect on the local government financial statements they are auditing. If you audit a local government that has the option to participate in one of the state's public retirement systems but is not doing so, you should review the Louisiana Revised Statutes pertaining to the system to determine whether participation is optional or mandatory. Each retirement system's enabling legislation may be found in the notes to the financial statements in the systems' respective audit reports, which are available through the [audit report library](#) on LLA's website.

If you determine that participation may be required, you should then advise management of the local government to contact the retirement system and consult with their own legal counsel to determine what actions they need to take to become compliant with the law.

Bond Indenture Reporting Requirements

CPAs who perform compilation or review/attestation engagements for local auditees (local governments and quasi-public organizations in Louisiana that are required to report to LLA) should be mindful that if a local auditee has issued bonded debt, the bond indenture often requires the local auditee to provide for an annual audit.

And, if the local auditee is required by a bond indenture to provide for an annual audit report, the local auditee must also provide for an annual audit report to LLA, regardless of the amount of revenues the local auditee receives.

For example, a local auditee that receives \$200,000 in revenues and other sources during its fiscal year is required by the audit law (Louisiana Revised Statute 24:513) to provide for a review/attestation report to LLA.

However, if that local auditee has issued bonded debt, and the bond indenture requires the local auditee to provide for an annual audit, the local auditee must also provide for an audit report to LLA, not a review/attestation report. In other words, LLA will enforce the highest level of reporting required of a local auditee by the audit law or other external regulatory authority.

A CPA who is performing a compilation or review/attestation engagement for a local auditee that has issued bonded debt should carefully review the bond indenture while engaging the local auditee, and engage for an audit if required by the bond indenture.

Please note that if a local auditee is required by the audit law to provide for an annual compilation or review/attestation report, but provides for an audit because of the requirements of a bond indenture, the local auditee is not required to engage the CPA firm that performs their audit to perform the [statewide agreed-upon procedures engagement](#).

If you have any questions about the matters addressed in this audit risk alert, please contact Diane Allison at dallison@lla.la.gov or (225) 339-3812, or Gayle Fransen at gfransen@lla.la.gov or (225) 339-3874.