



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT**

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May 15, 2014

**MEMORANDUM**

**TO:** Certified Public Accounting Firms

**FROM:** Jerry E. Durham, CPA, CGFM, CFE  
Assistant Director  
Division of Local Government Audit

**SUBJECT:** Testing of Census Data for the Tennessee Consolidated Retirement System (TCRS) Administered Agent Multiple-Employer and Cost-Sharing Multiple Employer Defined Benefit Pension Plans

The Governmental Accounting Standards Board (GASB) recently issued three statements related to pensions (i.e., GASB Statements. 67, 68, and 71). As you are aware, GASB Statement 68, "Accounting and Financial Reporting for Pensions" is effective for the fiscal years ending June 30, 2015. The TCRS actuarial measurement date for the June 30, 2015 net pension liability calculation has been determined to be June 30, 2014.

The Tennessee Department of Audit, Division of State Audit, will be performing the June 30, 2015 audit of the TCRS pension plans and the underlying actuarial data provided to the actuary by state and local governments. This means audit procedures must be performed on selected census data at both the state and the local government levels. Because the Comptroller's Office contracts for the audit of many of Tennessee's local governments, we will be requesting assistance from our contract CPA firms in performing audit procedures related to census data for local government plan participants.

The American Institute of Certified Public Accountants (AICPA) is in the process of publishing a "State and Local Government Expert Panel (SLGEP) Pension Whitepaper" to address specific auditing issues related to GASB Statement 68 and defined benefit plans. It is anticipated that the whitepaper will be released this month.

The Division of Local Government Audit is in the process of defining the audit strategy and process as we wait for further guidance from standard setting bodies. In the interim, please be aware that directives will be coming from our office that may impact the scope of your audit. The Division of State Audit will be directly involved in making decisions as to when, what governments, and what data we need to look at so that they may achieve sufficient appropriate audit evidence about the TCRS plans.

The Tennessee Department of Treasury (TCRS) has indicated that it intends to provide footnote disclosures and other financial information necessary to properly account for pension liabilities and deferrals. Testing selected census data is a relatively small procedure when compared to the information we will be provided.

We appreciate your efforts in making government in Tennessee work better. We also appreciate the cooperation we have always received from the CPA community. Together we will make it through the implementation of these difficult pension standards.