

# Audit Areas of Focus

Based upon our initial assessment, our audit will entail a combination of review of controls, and substantive testing. The primary areas of focus in our overall audit strategy and select example procedures, include the following:

Areas of Focus	Discussion
Fraud Risk, including Management Override of Internal Control Over Financial Reporting	Review of internal control procedures, inquiry of System personnel including those outside accounting, sending external confirmations, review of tip-line activity, and testing of journal entries.
Investments and Related Income and Disclosures	Confirmation of holdings with custodians and investment managers, obtaining audited statements and retrospective review compared to interim financial reports, performing rollforward testing procedures on lag reporting period, testing valuation models, testing a sample investment proceeds, and assessing adequacy of disclosures consistent with GASB 40 and 72.
Long Term Care Liability for Future Policy Benefits	Review of actuarial valuation report including assumptions, testing rollforward activity for the year, and testing samples of underlying census data for completeness and accuracy that support the valuations.
Health Care Estimated Insurance Claims Due	Testing a sample of claims for accuracy, retrospective review of the prior year Incurred but not reported (IBNR) reserve, recalculation of the liability amounts, etc.
Pension and Other Postemployment Benefit Liabilities and Related Disclosures	Testing samples of underlying census data for completeness and accuracy, using in-house actuarial professionals to evaluate reasonableness of assumptions based on published data and most recent experience study, performing certain recalculations including modeling long term rate of return and sufficiency of net position calculations, etc.
Plan Contributions	Testing a sample of recorded contributions for a given period based on recalculations of required contribution Rates, and using analytical procedures to identify contribution anomalies for investigation.
Plan Benefit Payments	Testing a sample of benefit payments for consistency with plan provisions, and using analytical procedures to identify benefit payment trend anomalies for investigation.
Premium Revenues	Testing a sample of premium revenues for existence, completeness and accuracy and performing procedures to test for revenue cut off.
Information Systems	Identifying all systems relevant to the financial reporting process, reviewing the design and implementation of logical access and change management controls, and reviewing user control considerations for interacting with key service providers' information systems.

