



Legislative Post Audit Financial Audit Report Highlights

Kansas Public Employees Retirement System: Fiscal Year 2016

Report Highlights

December 2016 • R-16-017

Summary of Legal Requirements

State law requires an annual financial audit of the Kansas Public Employees Retirement System. This year's audit was conducted by CliftonLarsonAllen, a CPA firm under contract with the Legislative Division of Post Audit.

Background Information

KPERS provides three statewide defined-benefit retirement plans for more than 290,000 active, inactive and retired state and local public employees:

- Kansas Public Employees Retirement System
- Kansas Police and Firemen's Retirement System
- Kansas Retirement System for Judges

In addition to retirement benefits, KPERS provides basic and optional life insurance and disability benefits for active members.

The Governmental Accounting Standards Board (GASB) has made significant changes in accounting standards in recent years regarding pension plans like KPERS.

AUDIT OBJECTIVES: Financial audits done in accordance with government audit standards assess (1) whether the audited organization's financial statements are fairly presented in accordance with applicable accounting principles, (2) whether there are any significant problems with the organization's internal controls, and (3) whether the organization complied with applicable legal requirements.

- The auditors expressed an unmodified opinion on the financial statements, meaning that the financial statements present KPERS' financial position fairly in all material respects and in conformity with generally accepted accounting principles.
- The audit disclosed no significant deficiencies in KPERS' internal control over financial reporting.
- The audit disclosed no instances of noncompliance with applicable legal requirements that were material to KPERS' financial statements.

SUMMARY OF RECOMMENDATIONS:

The auditors made no recommendations.

- *GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans. The goal is to provide greater transparency, consistency, and comparability in the financial statements for similar types of pensions. GASB 67 became effective for KPERS for fiscal year 2014 and appeared on that year's financial report.*
- *The primary objective of GASB 68 is to better allocate responsibility for the net pension liability (an accounting version of the actuarial unfunded liability) among participating employers in a multi-employer pension plan (like KPERS). This does not affect the financial statements for KPERS, but it will require the state to recognize its share of the collective pension amounts (including the net pension liability) on its financial statements rather than less prominently in the notes to those statements. GASB 68 became effective for fiscal year 2015 and the changes are reflected in State of Kansas' annual financial statements that were released in December 2015.*

HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

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