Internal Audit Breakout Session
Agreed-Upon Procedures – Employer Enrollment

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AGREED-UPON PROCEDURES

Employer Enrollment & Payroll Reporting Compliance

Detailed procedure sheets should define the precise criteria, population, sample, evidence, and exception threshold before fieldwork.

Proposed scope & objectives • 18 procedures • Risk-based testing + data analytics

Prepared for SACRS 2026 Fall Conference

Engagement objectives

The objective of this agreed-upon procedures engagement is to evaluate the accuracy, completeness, timeliness, authorization, and regulatory compliance of employer-reported member enrollment, employment, compensation, and payroll information submitted to a county public pension system governed by the California County Employees Retirement Law of 1937 (CERL).

The procedures are intended to identify exceptions that could affect:

- Member eligibility, enrollment, membership classification, and entry into the retirement system.
- Pensionable compensation, pension contributions, and employer contribution obligations.
- Member service credit, final compensation, and retirement benefit calculations.
- Compliance with CERL, applicable California Government Code provisions, applicable regulations, plan provisions, and employer reporting requirements.
- The integrity of member data used for pension administration, financial reporting, actuarial valuations, and benefit payments.

Engagement scope

Element	Proposed approach
Subject matter	Employer-submitted enrollment, employment, compensation, payroll, and contribution data
Period covered	One completed fiscal year, with selected lookback periods for enrollment and membership changes
Population	Participating county departments, districts, and other covered employers, as applicable
Testing approach	Risk-based employer selection, transaction sampling, data analytics, and reconciliations
Criteria	Applicable CERL provisions, plan-specific provisions, regulations, employer contracts and policies, and retirement system reporting instructions
Reporting	Procedures performed, factual findings, exceptions, quantified differences, and management responses, if requested

The final scope should identify the specific retirement system, participating employers, reporting period, applicable plan provisions, and the intended users of the report.

Detailed agreed-upon procedures program

The following procedures are drafted for inclusion in an engagement Statement of Work (SOW). The practitioner should perform each procedure using the specified criteria and report the results without drawing an overall conclusion.

A. Employer population, reporting completeness, and data integrity

01

Validate the employer population

Procedure: Obtain the retirement system's listing of participating employers and departments, employer agreements, reporting schedules, and employer identifiers. Compare the listing to the employer master file, current-year reporting activity, and available payroll or personnel records. Investigate employers with no reported activity, newly participating employers, and terminated or inactive employers.

Evidence: Employer master file, participation agreements, employer status records, and reporting activity reports.

Sample: 100% of participating employers.

Exception criteria: Employers required to report are missing from the master file, lack expected reporting activity, or have an inconsistent status without documented resolution.

Detailed agreed-upon procedures program

02

Reconcile employer submissions to retirement system records

Procedure: Obtain employer payroll submissions, member-level reporting files, contribution reports, and retirement system import or posting records. Reconcile reporting-period totals and member counts from employer source files through accepted submissions to the retirement system's member and payroll databases.

Evidence: Source payroll registers, electronic submission files, upload logs, rejection reports, accepted transaction reports, and posted member records.

Sample: 100% of monthly or pay-period submissions for selected employers, with detailed transaction testing of discrepancies.

Exception criteria: Unexplained differences in member counts, compensation, contribution amounts, reporting periods, rejected records, or posted transactions.

03

Test completeness of member-level payroll reporting

Procedure: Select payroll transactions from the employer's original payroll register and trace them to the corresponding retirement system submission and member account. Include regular wages, supplemental payrolls, adjustments, retroactive payments, and other compensation categories.

Evidence: Payroll registers, employee-level earnings detail, submission files, and member account histories.

Sample: 60 payroll transactions per selected employer, or all transactions if fewer than 60; include targeted high-risk items.

Exception criteria: Eligible member transactions omitted from reporting, reported in the wrong period, assigned to the wrong member, or reported at an amount that differs from supporting records without a documented explanation.

Detailed agreed-upon procedures program

04

Test data transmission and processing integrity

Procedure: Inspect file control totals, record counts, rejected and duplicate records, resubmissions, adjustments, and system-generated processing reports. For selected exceptions, trace the original employer record through any correction or resubmission to the final posted member record.

Evidence: File transmission logs, system exception reports, batch totals, change logs, and corrected submissions.

Sample: 100% of identified duplicate, rejected, and resubmitted records for selected reporting periods, subject to data availability.

Exception criteria: Missing or duplicated records, unauthorized changes, unresolved rejections, or resubmissions that result in duplicate or inaccurate postings.

B. Member enrollment and eligibility

05

Verify enrollment completeness

Procedure: Obtain a roster of employees hired, rehired, transferred, or otherwise potentially eligible for membership during the period. Reconcile that roster to enrollment transactions and retirement system membership records. Identify eligible employees without enrollment records and enrolled members without corresponding employment support.

Evidence: HR hire and termination reports, personnel action forms, position records, enrollment files, and member master data.

Sample: 60 new hires or potential members per selected employer, or all if fewer than 60. Include employees near eligibility thresholds and employees with multiple positions.

Exception criteria: An individual who meets applicable membership requirements was not enrolled or was enrolled without sufficient eligibility support.

Detailed agreed-upon procedures program

06

Verify membership eligibility and effective dates

Procedure: For sampled members, compare hire date, appointment type, employment status, hours or time base, position classification, and other applicable eligibility factors to the requirements governing that employer and member category. Recalculate the applicable membership eligibility and effective date.

Evidence: Appointment documents, job descriptions, employment history, applicable employer agreements, and retirement system eligibility rules.

Sample: The same enrollment sample as Procedure 05.

Exception criteria: Incorrect eligibility determination, membership category, enrollment date, or contribution commencement date based on the applicable CERL and plan-specific requirements.

07

Verify member classification and benefit tier

Procedure: Compare the member's reported membership group, benefit tier, applicable entry date, employee contribution rate, and other reported classification attributes to the member's official personnel records and applicable plan provisions. For members subject to different benefit formulas, independently verify the factors determining the assigned classification.

Evidence: Membership records, personnel history, applicable ordinances and plan amendments, Board-approved benefit provisions, and member contribution schedules.

Sample: 60 members per selected employer, or all if fewer than 60; stratify by membership group, entry date, and benefit tier.

Exception criteria: Incorrect member classification, benefit tier, contribution rate, or other attribute that affects contributions or benefit calculations.

Detailed agreed-upon procedures program

08

Test employment changes and membership termination

Procedure: Select employee terminations, leaves of absence, returns from leave, transfers, rehires, changes in time base, and changes in appointment status. Compare the effective dates and employment circumstances to changes recorded in the retirement system and assess whether payroll and contribution reporting was adjusted appropriately.

Evidence: Personnel action forms, leave records, termination records, payroll history, and retirement system transaction logs.

Sample: 40 employment-status changes per selected employer, or all if fewer than 40, with targeted selection of high-risk transactions.

Exception criteria: Missing or delayed updates, unsupported effective dates, contributions reported after an applicable termination of membership, or other discrepancies under the governing plan rules.

C. Payroll, pensionable compensation, and contributions

09

Verify reported base pay and pay rates

Procedure: Compare reported pay rates and regular earnings to approved salary schedules, collective bargaining agreements, personnel authorizations, and payroll records. Recalculate earnings for selected members using the applicable rate, time base, effective dates, and hours or days worked.

Evidence: Approved pay schedules, labor agreements, payroll registers, time records, and personnel action forms.

Sample: 60 member-period observations per selected employer, including pay-rate changes and retroactive adjustments.

Exception criteria: Unsupported or inaccurate pay rates, incorrect effective dates, calculation errors, or differences between payroll and retirement system reporting that are not supported by documentation.

Detailed agreed-upon procedures program

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Determine whether reported compensation is pensionable

Procedure: Obtain a detailed listing of compensation codes and map each code to the applicable CERL definition of compensation earnable or other controlling compensation provision, as appropriate to the member's plan. Inspect supporting payroll and policy documentation for selected compensation categories and determine whether each reported item is properly included, excluded, and categorized.

Evidence: Earnings-code master file, pay policies, labor agreements, approved salary schedules, payroll detail, and applicable statutory and plan provisions.

Sample: All compensation codes used during the period for selected employers; test at least 60 member-level transactions, including overtime, differentials, leave cash-outs, bonuses, allowances, retroactive pay, and special compensation where applicable.

Exception criteria: Compensation is included or excluded contrary to the applicable legal and plan requirements, lacks required support, or is assigned to an incorrect compensation category.

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Test overtime, special compensation, and unusual payments

Procedure: Analyze compensation by member, pay code, department, and period to identify unusual amounts, recurring lump sums, significant year-over-year changes, and payments near retirement. For selected items, inspect the authorizing agreement, applicable pay schedule, eligibility conditions, and underlying records. Recalculate the pensionable portion under the governing requirements.

Evidence: Payroll detail, timekeeping records, overtime approvals, labor agreements, special compensation schedules, and retirement system reporting rules.

Sample: 100% of flagged high-risk items identified through data analytics, plus 40 individually selected transactions if the population permits.

Exception criteria: Unsupported payments, inaccurate reporting, misclassification of compensation, or compensation inconsistent with applicable statutory exclusions or anti-spiking provisions.

Detailed agreed-upon procedures program

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Recalculate employee and employer contributions

Procedure: Independently calculate contributions for sampled member-pay-period records using verified compensation, applicable contribution rates, membership category, and effective dates. Compare the recalculated amounts to employer payroll deductions, employer liabilities, submitted contribution reports, and amounts credited by the retirement system.

Evidence: Payroll registers, member contribution schedules, employer contribution rate notices, applicable plan provisions, and retirement system account records.

Sample: 60 member-pay-period records per selected employer, or all if fewer than 60, covering each material contribution rate and membership group.

Exception criteria: Differences between recalculated and reported contributions, incorrect rates or bases, omitted deductions, duplicate contributions, or unresolved differences between reported and credited amounts.

13

Test reporting of retroactive pay and payroll adjustments

Procedure: Select retroactive salary adjustments, corrections, supplemental payments, voids, and refunds. Trace each transaction to its original earnings period, approval, payroll calculation, and retirement system posting. Determine whether compensation and contributions were allocated and reported in accordance with the applicable requirements.

Evidence: Adjustment registers, payroll recalculations, approval records, original and corrected submissions, and member account histories.

Sample: 100% of material adjustments identified through data analytics, plus 30 additional transactions if available.

Exception criteria: Duplicate reporting, incorrect period allocation, unsupported adjustments, omitted contributions, or incorrect correction of prior-period member records.

The compensation procedures should be based on the controlling CERL provisions and the system's specific plan rules. California's public retirement framework distinguishes among statutory compensation definitions, member categories, and applicable plan provisions; compensation classification should therefore be supported by a documented legal and policy crosswalk.

Detailed agreed-upon procedures program

D. Reporting timeliness, controls, and regulatory compliance

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Verify reporting timeliness

Procedure: Compare employer submission dates, correction dates, and contribution remittance dates to applicable statutory, contractual, and retirement system deadlines. Calculate days late for each exception and identify repeated late submissions.

Evidence: Submission timestamps, reporting calendars, employer agreements, remittance records, and correspondence.

Sample: All reporting periods for selected employers.

Exception criteria: A missed applicable deadline, an overdue correction, or a late remittance without an approved exception or documented resolution.

15

Inspect employer reporting certifications and review controls

Procedure: Inspect employer certifications, supervisory approvals, reconciliations, and documented reviews of enrollment and payroll submissions. For selected reporting periods, verify that the reviewer was authorized, the review occurred before or as required by submission, and identified exceptions were resolved or escalated.

Evidence: Signed certifications, workflow approvals, reconciliations, review checklists, and exception logs.

Sample: 12 monthly reporting periods per selected employer, or all periods if fewer than 12.

Exception criteria: Required certifications are missing, reviews are not evidenced, approvals are unauthorized, or identified discrepancies remain unresolved.

Detailed agreed-upon procedures program

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Test segregation of duties and access controls

Procedure: Obtain the list of users authorized to create, approve, transmit, and modify employer enrollment and payroll records. Compare access rights to assigned responsibilities and inspect access-change records and selected audit logs for changes to member classifications, compensation, and contribution data.

Evidence: User access listings, role matrices, access approvals, system logs, and change tickets.

Sample: 100% of privileged users and users with the ability to both modify and approve material reporting transactions; additionally, inspect 25 selected data changes if available.

Exception criteria: Incompatible access is not mitigated, access is unsupported or inappropriate, or material changes lack authorization or an audit trail.

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Test compliance with applicable legal and plan requirements

Procedure: Obtain a requirements matrix approved by the retirement system's legal or compliance function. For each selected member or payroll transaction, compare the reported treatment to the specific applicable legal or plan requirement. Consider CERL membership and compensation provisions, relevant amendments, applicable PEPRA provisions, contribution requirements, and other relevant state or federal requirements where applicable.

Evidence: Current statutes, applicable regulations, ordinances, plan provisions, Board-approved policies, employer agreements, and legal interpretations.

Sample: Apply the relevant requirement tests to the samples in Procedures 05–14; separately test 30 high-risk transactions involving recent legal changes, unusual compensation, or disputed membership classifications if available.

Exception criteria: A documented deviation from an identified applicable requirement, an unsupported interpretation, or a material reporting practice inconsistent with governing requirements.

Scope limitation: The practitioner should not make legal determinations outside the agreed criteria or professional competence. Ambiguous legal interpretations should be referred to qualified counsel for resolution.

Detailed agreed-upon procedures program

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Evaluate resolution of previously identified exceptions

Procedure: Obtain prior employer audits, retirement system compliance reviews, contribution reconciliations, and corrective action plans. Select previously identified findings and inspect evidence of correction. For resolved items, retest the affected reporting process or transaction; for open items, document the status and outstanding exposure.

Evidence: Prior audit reports, corrective action logs, employer correspondence, repayment or adjustment records, and updated submissions.

Sample: 100% of open high-risk findings and 30 previously corrected findings, or all if fewer than 30.

Exception criteria: Corrective actions are incomplete, corrections are not supported, similar errors recur, or outstanding contribution and member-record differences remain unresolved.

The procedures and reporting approach should comply with the applicable AICPA attestation standards, including AT-C Section 215, and any additional requirements that apply to the engagement. An AUP report presents procedures and factual findings; it does not provide an audit opinion or assurance conclusion.

Sampling methodology and coverage

4. The sample sizes above are proposed starting points for negotiating the scope, not mandatory AICPA sample sizes or a statistically valid sample design. The parties should agree on the actual population, selection method, and extent of testing before fieldwork begins.

A recommended approach is:

Population	Proposed selection method
Participating employers	All employers for population completeness; risk-based selection for detailed transaction testing
New enrollments	Random selection supplemented by targeted selection of eligibility edge cases
Active member payroll	Stratified by employer, membership group, compensation type, and pay period
Compensation codes	All active codes for selected employers, with transaction-level testing of material and high-risk categories
Contribution calculations	Samples covering each material member category, rate, and compensation base
Exception transactions	Full-population data analytics where reliable data are available, followed by source-document validation
Access and approval controls	Full review of privileged or incompatible access, with targeted change-log testing

Sample selection safeguards

- Obtain complete, reconciled population files before sampling.
- Preserve the population, selection method, sample identifiers, and selection results in the workpapers.
- Include both randomly selected and risk-targeted transactions, clearly distinguishing the two.
- Do not project exceptions from judgmental samples to the entire population unless an appropriate projection method has been agreed upon.
- Report sample sizes, items tested, exceptions identified, and the applicable denominators.

Exception evaluation and reporting criteria

Every exception should be recorded in a findings register. The practitioner should distinguish factual differences from unresolved questions about legal interpretation.

Field	Required documentation
Finding ID	Unique reference number
Employer and department	Employer identifier and reporting unit
Member or transaction	Restricted identifier, pay period, and transaction reference
Procedure	Applicable AUP procedure number
Criteria	Specific statute, plan provision, reporting instruction, or control requirement
Condition	What the practitioner observed
Quantification	Compensation difference, contribution difference, affected members, or days late, where determinable
Root cause	Include only if supported by evidence or separately investigated
Management response	Employer explanation and corrective action, if requested
Status	Open, corrected, disputed, or pending legal interpretation

Recommended severity classifications

These classifications can help management prioritize findings; they are not substitutes for the practitioner reporting all factual findings.

- High: Potentially material member benefit or contribution impact, systemic enrollment failure, significant legal noncompliance, or unauthorized manipulation of member data.
- Moderate: Repeated reporting errors, incomplete controls, or recurring delays with identifiable financial or member-record consequences.
- Low: Isolated clerical errors or documentation deficiencies with limited identified impact.

Where possible, quantify both the individual exception and the aggregate effect. Do not characterize an amount as a confirmed loss, overpayment, or underpayment until the supporting facts and applicable criteria substantiate that characterization.

Required deliverables

The engagement should produce the following deliverables.

1. Agreed-Upon Procedures report — lists each procedure performed, the population or items tested, and the factual findings.
2. Detailed exceptions register — identifies affected employers, transactions, applicable requirements, quantified differences, and correction status.
3. Employer-specific findings schedules — summarizes results by participating employer and department.
4. Contribution and compensation reconciliation — quantifies identified differences between source payroll, submitted reports, calculated contributions, and posted member records.
5. Management response and remediation schedule — documents management's responses, responsible parties, target completion dates, and supporting evidence of correction, if included in the agreed scope.

Proposed AUP report format

The final report can use the following structure.

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the governing Board, Audit Committee, management, and other specified parties

Purpose and scope

We have performed the procedures enumerated below, as agreed upon by the specified parties, relating to employer enrollment, payroll, compensation, and contribution reporting to the retirement system for the period [start date] through [end date].

Responsibilities

The specified parties are responsible for the sufficiency of the agreed-upon procedures for their purposes. Management is responsible for employer reporting processes, compliance with applicable requirements, and the accuracy and completeness of the underlying records.

Procedures and findings

For each agreed-upon procedure, the report identifies the procedure performed, records or transactions examined, and factual findings, including exceptions and quantified differences where determinable.

Proposed AUP report format (Cont.)

Limitations

The procedures performed may not address all matters that could be relevant to the specified parties. We were not engaged to and did not conduct an examination or review, and we do not express an opinion or conclusion on the accuracy of all employer reporting or on overall compliance with applicable laws and regulations.

Restricted use

The report is intended for the specified parties identified in the engagement agreement and should be used in accordance with the applicable reporting requirements and agreed terms of the engagement.

The final report wording must be tailored to the current AICPA reporting requirements, engagement circumstances, and intended users.

Legal and regulatory criteria to establish before fieldwork

For a California 37 Act retirement system, the practitioner should obtain a system-specific legal and regulatory crosswalk rather than assume that rules applicable to CalPERS apply identically to CERL systems.

The crosswalk should identify:

- Applicable CERL provisions in California Government Code sections 31450 and following, including relevant membership, compensation, and contribution provisions.
- Applicable PEPRA requirements and exceptions, including the provisions that apply to the particular member category and plan.
- Applicable California regulations, county ordinances, retirement system resolutions, Board-approved policies, and benefit-tier provisions.
- Employer participation agreements, labor agreements, reporting instructions, and contribution rate notices.
- Other applicable state or federal requirements that directly govern the reporting population or transaction.

The exact provisions should be validated against the reporting period and the retirement system's adopted plan terms. California's CERL framework is distinct from CalPERS' Public Employees' Retirement Law, so a CalPERS compensation rule should not be used as the criterion for a CERL exception without confirming its applicability.