

**Padgett, David**

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**From:** Leidinger, Bill  
**Sent:** Tuesday, April 09, 2013 10:39 AM  
**To:** Gilbert, Rich  
**Subject:** RE: SCRS Engagement Letter

Thanks, Rich. I just wanted to double check back with you and be sure you were OK with your response. Have a great day.....Bill

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**From:** Gilbert, Rich  
**Sent:** Tuesday, April 09, 2013 10:30 AM  
**To:** Leidinger, Bill  
**Subject:** RE: SCRS Engagement Letter

Bill,

I did not believe that I needed to respond to your email. While you may not think that I spent sufficient time on my response I believe my responses addressed each concerns.

Rich

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**From:** Leidinger, Bill  
**Sent:** Tuesday, April 09, 2013 9:30 AM  
**To:** Gilbert, Rich  
**Subject:** RE: SCRS Engagement Letter

Rich, I haven't heard back from you regarding my question below. Please let me know.....Thanks much.....Bill

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**From:** Leidinger, Bill  
**Sent:** Thursday, April 04, 2013 5:10 PM  
**To:** Gilbert, Rich  
**Subject:** RE: SCRS Engagement Letter

Rich, your response is much more prompt than I would have expected given the nature and seriousness of the requests and the fact that I just shared the requests with you at 2:30PM today. **Would you like to reconsider/withdraw this response and give the matter more thought before finally responding?** Your call..... Thanks.....Bill

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**From:** Gilbert, Rich  
**Sent:** Thursday, April 04, 2013 4:52 PM  
**To:** Leidinger, Bill  
**Subject:** SCRS Engagement Letter

Bill,

In response your questions I am providing the following:

1. Your memorandum indicated that the 2012 engagement letter states, "It is our understanding that the primary intent of engaging our services is for the benefit of the State Auditor and the Systems." (I could not find this cite in my copy of the engagement letter dated 04/26/12). Your letter requests Clifton Larson Allen (CLA) include other officials and State citizens in the letter. As you know the audit engagement is between the PEBA Board, SCRS management and the State Auditor's Office so it would not be appropriate to include others. When SCRS management signs the engagement letter it is assumed that he/she is representing its governing board (PEBA). When the report is issued a transmittal letter is included in the bound report that is addressed to the Governor and members of the Budget and Control Board. Additionally when the SAO issues a report we notify the governing body, management, and the BCB. Notification can either be in the form of a hard copy of the report or notification that the report has been posted to our webpage. Since the report is posted to our webpage it is available to all the parties mentioned in your letter. I believe that all parties have access to the report.
2. Investment Income – SCRS prepares the financial statements and CLA the audits the statements and note disclosures. I can assure you that if CLA determined that the presentation of investment expense was not GAAP it would be addressed in the audit.
3. Point 3 of your memo indicated that CLA had not complied with page two of the engagement letter which states that CLA will issue a separate letter to you (SAO) and the Systems' management with our comments and recommendations for improvement in the accounting procedures and overall system of internal control. Under *Government Auditing Standards*, the auditor is required to issue a Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This report was included with the issued 2012 financial audit. (This is the report that I referred to in our meeting). This report would identify any significant deficiencies and/or material weaknesses. Other matters that do not rise to a significant deficiency or material weakness can be communicated orally. It is my understanding that CLA has communicated best practices and other comments for improvement orally to SCRS management.
4. The final item in your memo concerns the representation letter. It is currently addressed to SCRS management. Again the CLA is auditing SCRS. Since RSIC is not part of the reporting entity it would not be appropriate for RSIC to sign the representation letter.

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