



How to Best Utilize Your JATC Accountant

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I. Role and Function of the JATC Auditor

- Auditor's objective and responsibility
 - Opinion of financial statements
 - Compliance with ERISA'S provisions?

II. Conducting The Audit

- Planning
 - Information gathering
 - Consideration of fraud
 - Establishing materiality

II. Conducting the Audit (cont'd)

- JATCs Internal Control Structure
 - Understanding of controls
 - Establish tests to be performed
- Obtaining Audit Evidence
 - Extent of testing

III. Changing Role of Auditors

- Detecting Fraud
- SAS 99, Consideration of Fraud in a Financial Statement Audit
 - Discussion among audit team
 - Obtain information to identify risk of fraud
 - Inquiries of management and others
 - Consider fraud factors

III. Changing Role of Auditors (cont'd)

- Detecting prohibited transactions
 - What is the auditors role and responsibility?

IV. Auditor's Interrelation with Other Service Providers

- Administrative Staff
- Attorney

V. Trustees and Administrators Interaction with Auditors

- Communication is critical
 - Engagement letters
- Management representation letters

V. Trustees and Administrators

Interaction with Auditors (cont'd)

- Should an audit committee be established?
 - Composition of audit committee
 - Function of committee
 - Meetings with administrator
 - Meeting with JATC controller
 - Meetings with auditors
 - Useful inquiries/questions

V. Trustees and Administrators Interaction with Auditors (cont'd)

- Function of committee
 - Pre-audit meeting
 - Discuss audit plan
 - Discuss audit of trustee expenses
 - Discuss procedures to be performed to identify “party in interest transactions” and “prohibited transactions”

V. Trustees and Administrators

Interaction with Auditors (cont'd)

- Function of committee
 - Post-audit meeting
 - Review financial statements
 - Review management letter and follow up on previous recommendations
 - Ask probing questions
 - Where do we need strengthening?
 - Where might we have exposure?
 - Were there deviations in your audit plan based on your tests of controls?

VI. Management Letters

- What are management letter comments?
 - Audit Standards require communication of deficiencies in the design and operation of the internal control structure.
 - Reportable Conditions – Two Types
 - Design deficiencies
 - Operation deficiencies
 - Material Weaknesses
 - Reportable conditions of greater magnitude
 - Material weaknesses do not have to be separated – apprentice committee should request auditor to identify these
 - Other matters to be communicated

VII. Understanding the Annual Report

- Auditor's Opinion
 - Unqualified opinion
 - Qualified opinion
 - Departure from GAAP
 - Scope limitation

VII. Understanding the Annual Report (cont'd)

- Financial Statements
 - Statement of Net Assets
 - Statement of Changes in Net Assets
 - Footnote Disclosures

Sample Hawaii Health and Welfare Fund
Statements of Net Assets Available for Benefits
December 31, 2004 and 2003

	2004	2003
Assets		
Cash		
Checking	\$ 475,151	\$ 45,755
Money market accounts	<u>897,545</u>	<u>989,555</u>
Total cash	<u>1,372,696</u>	<u>1,035,310</u>
Receivables		
Employer contributions	1,548,484	1,687,777
Accrued investment income	<u>101,595</u>	<u>98,555</u>
Total receivables	<u>1,650,079</u>	<u>1,786,332</u>
Investments	<u>30,388,036</u>	<u>30,454,448</u>
Property and equipment, net	<u>125,000</u>	<u>136,555</u>
Other assets	<u>3,254</u>	<u>7,854</u>
Total assets	<u>33,539,065</u>	<u>33,420,499</u>
Liabilities		
Liabilities		
Accounts payable and accrued expenses	48,505	65,644
Due to broker	54,565	90,808
Due to Hawaii Pension Fund	98,050	45,844
Deferred income	<u>42,555</u>	<u>69,888</u>
Total liabilities	<u>243,675</u>	<u>272,184</u>
Net assets available for benefits	<u>\$ 33,295,390</u>	<u>\$ 33,148,315</u>

Sample Hawaii Health and Welfare Fund
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Additions		
Investment income		
Interest and dividends	\$ 1,645,515	\$ 1,805,004
Net appreciation (depreciation) in fair value of investments	<u>(450,554)</u>	<u>682,000</u>
	1,194,961	2,487,004
Less investment expenses	<u>(31,505)</u>	<u>(32,505)</u>
Net investment income	1,163,456	2,454,499
Contributions		
Employers	18,378,876	16,484,555
Self-pay participants	705,484	700,454
Other income	<u>544</u>	<u>3,265</u>
Total additions	<u>20,248,360</u>	<u>19,642,773</u>
Deductions		
Benefit payments		
Health claims	16,478,505	15,448,555
Prescription drugs	2,845,444	2,654,455
Life insurance premiums	<u>95,878</u>	<u>104,445</u>
Total benefit payments	<u>19,419,827</u>	<u>18,207,455</u>
Administrative expenses	<u>681,458</u>	<u>651,545</u>
Total deductions	<u>20,101,285</u>	<u>18,859,000</u>
Net increase	147,075	74,748
Net assets available for benefits		
Beginning of year	<u>33,148,315</u>	<u>33,073,567</u>
End of year	<u>\$33,295,390</u>	<u>\$33,148,315</u>

Sample Hawaii Health and Welfare Fund
Statements of Plan Benefit Obligations

December 31, 2004 and 2003

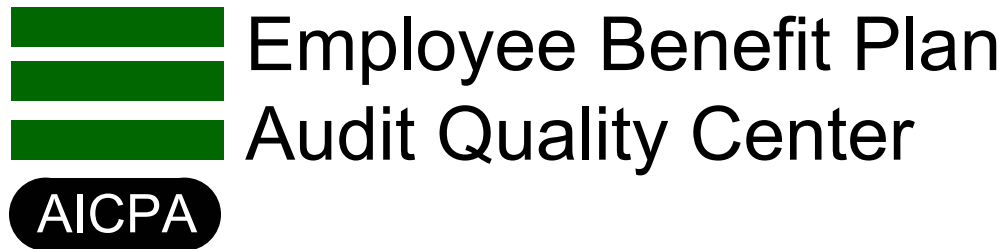
	2004	2003
Amounts currently payable		
Claims payable, claims incurred but not reported and premiums due to insurer	\$ 4,028,545	\$ 4,413,999
Other obligations for current benefit coverage - at present value of estimated amounts, net of amounts currently payable		
Accumulated eligibility credits	9,497,605	8,713,605
Postretirement benefit obligations - net of amounts currently payable		
Current retirees, beneficiaries and dependents	25,458,404	21,050,444
Other participants fully eligible for benefits	6,526,454	2,540,505
Other participants not yet fully eligible for benefits	36,995,897	28,264,751
Total postretirement benefit obligations	68,980,755	51,855,700
Total plan benefit obligations	\$ 82,506,905	\$ 64,983,304

Sample Hawaii Health and Welfare Fund
Statements of Changes in Plan Benefit Obligations
Years Ended December 31, 2004 and 2003

	2004	2003
Amounts currently payable		
Balance at beginning of year	\$ 4,413,999	\$ 3,208,545
Increase (decrease) during the year attributable to changes in claims payable, claims incurred but not reported and insurance premiums due	(385,454)	1,205,454
Balance at end of year	4,028,545	4,413,999
Other obligations for current benefit coverage - at present value of estimated amounts, net of amounts currently payable		
Balance at beginning of year	8,713,605	6,908,555
Increase during the year attributable to changes in accumulated eligibility credits	784,000	1,805,050
Balance at end of year	9,497,605	8,713,605
Postretirement benefit obligations - net of amounts currently payable		
Balance at beginning of year	51,855,700	32,000,505
Increase during the year attributable to		
Benefits earned	3,540,505	7,884,595
Actuarial experience losses	805,000	125,005
Changes in actuarial assumptions	12,454,550	4,000,545
Plan amendments	325,000	7,845,050
Balance at end of year	68,980,755	51,855,700
Total plan benefit obligations	\$ 82,506,905	\$ 64,983,304

VIII. Evaluating Auditor Services

- Experience and qualifications of auditor
- Timeliness
- Proactive in providing advice and information
- Independence



IAN MACKAY

Director