

MINUTES
AUDIT COMMITTEE
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA

April 7, 2021 – 9:00 a.m.

This meeting was held via videoconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. The public was able to listen to and observe the meeting on YouTube and provide comment through Zoom.

CALL TO ORDER

Chair Gladstern called the meeting to order at 9:02 a.m.

ROLL CALL

PRESENT: Block, Given, Gladstern, Silberstein

ABSENT: None

MINUTES

It was M/S Silberstein/Given to approve the December 1, 2020 Audit Committee Meeting Minutes as submitted. The motion was approved by a vote of 4-0 as follows:

AYES: Block, Given, Gladstern, Silberstein

NOES: None

ABSTAIN: None

ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Board regarding any agenda item when the Board considers the item.

Open time for public expression, from three to five minutes per speaker, on items not on the Board Agenda. While members of the public are welcome to address the Board during this time on matters within the Board's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Board concerning a non-agenda item. Members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No members of the public provided comment.

B. NEW BUSINESS

1. Annual Financial Audit Scope of Services and Processes – Rosalva Flores, Partner, Brown Armstrong

Consider and discuss annual financial audit processes

Rosalva Flores, Partner with Brown Armstrong, discussed the scope of services and processes for the annual financial. She stated the purpose is to provide information and invite feedback or questions from management or the Committee on the audit approach. Ms. Flores is the Engagement Partner responsible for all deliverables and Colin Lo is the Engagement Manager, the main point of contact during the audit. There are also Technical Review Partners who conduct a peer review of the financial audit.

Ms. Flores presented the Audit Timeline/Critical Dates List. The planning stage is from May 10 through July 1, 2021, and interim fieldwork is conducted from July 5 through August 4, 2021. From August 13 through August 20, 2021, final fieldwork planning is conducted. The audit wrap-up and final presentation occurs from September 3 through December 8, 2021.

Ms. Flores stated Audit Objectives include reporting on financial statements and providing an opinion on their accuracy and conformance to applicable standards. Observations and advice on best practices for financial reporting, accounting, and internal controls are directed to management.

Mr. Lo said during the planning phase auditors review the prior year's financial statements and assess areas of risk to focus on. Auditors request data on active and retired participants, including sample selections. Employer payroll data is requested, and staff provides updates on significant transaction classes such as contributions, benefit payments, investments, and actuarial data. In the interim field work stage confirmations for the custodian, investment consultant and investment managers are returned to the auditor for mailing. During this phase the auditor provides MCERA with an information request and conducts an interim conference with management.

During final field work planning MCERA provides the trial balance and a draft Statement of Fiduciary Net Position. Final confirmations are due and significant trial balance amounts are reviewed. The auditor approves the release of final values to the Actuary.

In the audit wrap-up and final presentation phase, MCERA provides draft financial statements to the auditor and the auditor provides drafts of its planned reports to MCERA. These items are reviewed and assessed. When GASB 67/68 reports are ready they are incorporated into the financials. The auditor reviews results with management and the Audit Committee.

Audit areas of focus include revenue recognition and management override of controls, which is mitigated by limiting management access. Other focus areas include journal entry control and investments and related earnings, which the audit team confirms with managers and employers. Audit procedures for each focus area were presented.

Trustee Silberstein asked what percentage of member and retiree accounts reviewed. Mr. Lo replied 40 active and 40 retiree members are contacted to confirm data. Chair Gladstern asked if there is overlap with the cybersecurity assessment and Mr. Lo replied this will be looked at as part of this year's audit.

New areas of focus for this year's audit will included a review of differential payments by employers, testing of the credit card usage, a review of the new County payroll system and the cyber security risk assessment conducted by MCERA.

New accounting pronouncements will affect future years after the June 30, 2021 financial statements, Ms. Flores said. She explained that these pronouncements have to do with leases, accounting for interest cost incurred before the end of a construction period, conduit debt obligations, and Omnibus 2020. Trustee Block asked about GASB 92 in relation to required terminology for the use of derivative instruments that was effective on issuance. Ms. Flores replied the derivatives applicable are used for hedging and therefore should have no significant impact on MCERA's financials.

2. Audit Committee 2021 Audit Schedule – Rosalva Flores, Partner, Brown Armstrong
Review and discuss schedule of audit activities for 2021

The schedule for the annual financial audit was presented during the discussion above.

3. Future Meetings

Consider possible agenda topics for future meetings

The next Committee meeting will be on July 7, 2021.

There being no further business, Chair Gladstern adjourned the meeting at 9:33 a.m.



Jeff Wickman
Retirement Administrator

On behalf of:
Maya Gladstern, Committee Chair



Michelle Hardesty
Assistant Retirement Administrator

On behalf of:
Jeff Wickman, Retirement Administrator