

MINUTES

AUDIT COMMITTEE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

August 4, 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 and provide comment through Zoom.

CALL TO ORDER

Chair Gladstern called the meeting to order at 9:04 a.m.

ROLL CALL

PRESENT: Block, Given, Gladstern, Silberstein

ABSENT: None

MINUTES

It was M/S Silberstein/Block to approve the April 7, 2021 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.

B. NEW BUSINESS

1. Financial Audit Review – Interim Fieldwork Phase – Rosalva Flores, Partner, Brown Armstrong

Review and discuss interim fieldwork phase results

Rosalva Flores, Partner with Brown Armstrong, reported the interim fieldwork phase of the MCERA annual financial audit was performed the week of July 5, 2021. Interim fieldwork focuses on internal controls in key accounting areas, she said. Auditors look at new policies and conduct walkthroughs with staff regarding any changes in procedures. Then results are documented to identify strengths and potential opportunities for improvement. The lead auditor said walkthroughs are completed with the exception of a few remaining outstanding documents that have not yet been provided to the auditors.

Ms. Flores explained that a big part of auditing internal controls is verifying participant data. Using random samples of 40 members each for active and retired members, auditors send confirmations to participants who indicate whether the data is correct. Confirmations returned with favorable responses agreeing with the information allow auditors to reduce the number of recalculations, and those with unfavorable responses are recalculated. Using a random sample of 40 employees, auditors also verify the accuracy of reported pensionable compensation.

The results of the substantially completed interim fieldwork are positive, Ms. Flores said. Auditors met with management to discuss results and may have a few pending follow-up questions. She further stated that auditors are conducting fraud interviews with key management, staff, and Board members. Ms. Flores said one pending interview will be completed this week and there are no concerns with fraud interviews so far.

Trustee Block asked when auditors hope to have final private equity values prior to the closing of the books. In response Ms. Flores said auditors are still in the process of gathering private equity valuation confirmations, which Mr. Wickman said are not likely to be available before MCERA's June 30, 2021 books are closed. He said the adjustment for private equity will be identified and discussed with the Committee as in prior years.

In addition to the fieldwork discussed above, Ms. Flores said auditors gather information from Board and Committee meeting minutes, new contract agreements, and the internet for matters that should be considered in the audit. For example, on the internet auditors may find additional data to assess reported investment manager returns. Auditors also examine travel expenditures using a sample of 10 to make sure policies and procedures are followed and travel is business related. Investment manager fees are analyzed on a rotating basis. Indicating this is a potential risk area, Trustee Block asked if all investment manager fees are tested every year. Ms. Flores replied this process is rotated based on management's process for reviewing the fees.

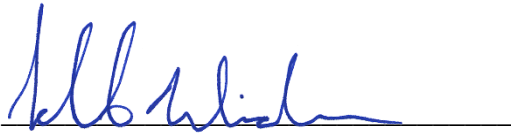
Ms. Flores noted in recent years auditors expanded the scope on information technology to assess risk and determine any additional procedures for general controls. She indicated this work will center around MCERA's Information Technology Security Assessment Report when it becomes available in August.

2. Future Meetings

Consider possible agenda topics for future meeting

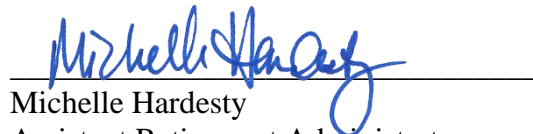
Chair Gladstern asked about plans for future Committee meetings. Mr. Wickman said at the next Committee meeting on November 23, 2021 auditors will review draft Financial Statements and the Audit Report with the Committee. Trustee Block asked if MCERA's employer audits figure into the auditors' work. Mr. Wickman said that when available employer audit results will be provided to auditors so they can determine if there is a nexus between the work of the auditor and MCERA employer audits.

There being no further business, Chair Gladstern adjourned the meeting at 9:24 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