

MINUTES
AUDIT COMMITTEE
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)
One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA
December 7, 2022 – 11:15 a.m.

This meeting will be held via videoconference pursuant to MCERA Board of Retirement Resolution 2021-22/01, which invoked Government Code section 54953(e) for all MCERA Board and standing committee meetings through December 30, 2022. 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 11:34 a.m.

ROLL CALL

PRESENT: Gladstern, Martinovich, Silberstein

ABSENT: None

MINUTES

It was M/S Martinovich/Silberstein to approve the August 3, 2022 Audit Committee meeting Minutes as submitted. The motion was approved by a vote of 3-0 as follows:

AYES: Gladstern, Martinovich, 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. Financial Audit Review – Neeraj Datta, Partner, Brown Armstrong
Review and discuss audit results.

Neeraj Datta and Andy Paulden, CPAs with Brown Armstrong, presented results of MCERA's annual financial audit. Mr. Paulden said the scope of services is to audit MCERA's financial statements for the fiscal year ending June 30, 2022 in accordance with auditing standards and render an opinion as to their accuracy.

Mr. Datta reviewed the audit timeline beginning with remote fieldwork in August that included testing of internal controls, onsite fieldwork in October to substantiate all accounts and balances, and financial statement review and drafting of reports in November. Mr. Datta stated that audit areas of focus are revenue recognition, management override of controls, investment and related earnings, employer and employee contributions, participant data confirmed with the actuary and employers, and benefit payments.

Mr. Paulden reported that Brown Armstrong issued an unmodified or clean opinion of the June 30, 2022 Financial Statements. Mr. Paulden discussed the Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114). This report discloses the implementation of a new accounting standard, GASB 87, that provides the reader information about long-term leases. In addition, the report highlights significant audit matters such as the fair value of investments that are marked to market in the financial statements. If any adjustments were needed as a result of the audit, auditors are obligated to let the reader know and there were none. Mr. Paulden further stated there were no disagreements with management during the course of the audit.

Mr. Paulden discussed the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, stating that there was no noncompliance and no weaknesses identified in internal controls. Finally, Mr. Paulden reviewed the Agreed Upon Conditions Report Designed to Improve Efficiency, Internal Controls, and/or Financial Reporting (Management Letter). This report lists three items identified during the audit: a contributions error, deceased member follow up, and a benefit payment tax withholding. Mr. Paulden stated Brown Armstrong is comfortable with management's response to address these items. He noted that one item from the prior year's audit was corrected and the other is a work in process.

In conclusion, Mr. Paulden stated the audit process is planned to make sure the financial statements are as accurate as can be. Brown Armstrong employs quality control measures to assure the financials meet professional standards. Mr. Paulden invited questions on the audit. Chair Gladstern asked about GASB 87 which Mr. Paulden explained is the disclosure of contractual lease obligations.

Trustee Martinovich sought clarification of the contribution rate finding in the Agreed Upon Conditions Report. In response, Mr. Wickman explained that every effort is made not to manually adjust employer payroll data submitted to MCERA. In this instance, uploaded data from an employer was incorrect. CPAS corrected the data, but one item that was manually adjusted by MCERA staff was thought to have been corrected but it was not. Chair Gladstern asked how similar problems could be found. In response, Mr. Paulden said it needs to be decided if it is an isolated incidence or a system issue. He stated this was deemed an isolated incident based on prior years' testing and the de minimis dollar amounts. Mr. Wickman added staff looked into whether the contribution rate error was a systematic issue and found that it was not.

2. Financial Statements (ACTION) – Neeraj Datta, Partner, Brown Armstrong
Review, discuss and possibly recommend that the Board adopt proposed June 30, 2022 Financial Statements.

Mr. Wickman presented the audited Financial Statements as of June 30, 2022 and required reporting as discussed above.

It was M/S Martinovich/Silberstein to recommend that the Board adopt proposed June 30, 2022 Financial Statements as submitted. The motion was approved by a vote of 3-0 as follows:

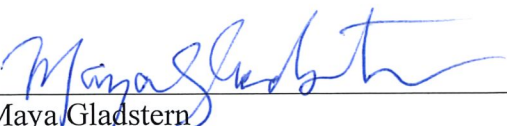
AYES: Gladstern, Martinovich, Silberstein
NOES: None
ABSTAIN: None
ABSENT: None

Trustee Martinovich commended Mr. Wickman and staff on the audit. Mr. Wickman commended Chief Financial Officer Anya Bakerink, Senior Accountant Kiana Hawkins, and Senior Accounting Assistant Deanna O'Brien for their work preparing the statements. He also thanked Neeraj Datta's team from Brown Armstrong for their work and flexibility in completing the successful audit in a short time frame.

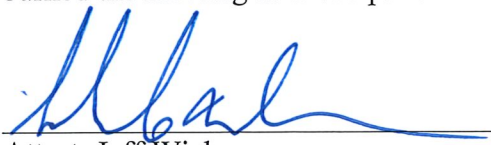
3. Future Meetings
Consider and discuss agenda items for future meetings.

Mr. Wickman plans to start the audit process early in 2023 and complete an Annual Comprehensive Financial report (ACFR) in the new year.

There being no further business, Chair Gladstern adjourned the meeting at 12:16 p.m.



Maya Gladstern
Audit Committee Chair



Attest: Jeff Wickman
Retirement Administrator