

## **MINUTES**

### **AUDIT COMMITTEE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)**

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

**June 20, 2023 – 9:00 a.m.**

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This meeting was held at the address listed above and, absent technological disruption, was accessible via videoconference and conducted in accordance with Government Code section 54953 and 54954.2.

#### **CALL TO ORDER**

Chair Gladstern called the meeting to order at 9:00 a.m.

#### **ROLL CALL**

PRESENT: Gladstern, Martinovich, Silberstein

ABSENT: None

#### **CONSIDER ANY BOARD MEMBER REQUESTS TO TELECONFERENCE FOR “JUST CAUSE” OR “EMERGENCY,” AS SET FORTH ON THIS AGENDA BELOW**

No Board members requested to teleconference.

#### **MINUTES**

It was M/S Silberstein/Martinovich to approve the December 7, 2022 Audit Committee Meeting Minutes as submitted. The motion passed 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. Annual Financial Audit Scope of Services and Processes – Neeraj Datta and Andy Paulden, Partners, Brown Armstrong  
Consider and discuss annual audit processes

Retirement Administrator Jeff Wickman introduced auditors Andy Paulden and Neeraj Datta, Partners with Brown Armstrong Accountancy Corporation, to review the schedule and processes for the annual audit of Financial Statements for the Fiscal Year ending June 30, 2023. Mr. Paulden stated most importantly this is an opportunity for the Audit Committee to review, discuss, and comment on the auditing plan. He presented an overview of the audit approach, which includes continuous two-way communication with management and review of deliverables to be issued at the end of the audit engagement. Mr. Paulden emphasized the audit plan's dynamic process and said the auditors will advise the Committee of any significant changes to the plan as the audit progresses.

2. Audit Committee 2023 Audit Schedule – Neeraj Datta and Andy Paulden, Partners, Brown Armstrong  
Review and discuss schedule of audit activities for 2023

Mr. Datta reported there are no changes in personnel from the prior year's audit team. Reviewing the audit schedule and strategy, he said Phase I, Planning, begins in mid-July and includes identifying significant audit areas and confirmation procedures. Beginning at the end of August Phase II, Interim Field Work, includes assessing the internal control environment and identifying any strengths or weaknesses. In addition, auditors perform walkthroughs of any significant audit areas and conduct fraud interviews with staff and at least one Board member. After completion of Interim Field Work auditors conduct an exit conference with management to discuss results of the control tests performed. During Phase III, Final Field Work, conducted in October amounts and disclosures in the financial statements are substantiated, including the fair value of assets, and another exit conference with management is conducted. During Phase IV, Completion, along with final reviews, the GASB 67/68 Report from the Actuary is incorporated into the financial statements. Final audit results are prepared and presented to the Audit Committee on November 29, 2023 and then to the Retirement Board during its December 13, 2023 meeting.

In conducting the annual audit, auditors focus on revenue recognition, management override of controls, investments and related earnings, participant data and actuary data, employer and employee contributions, and benefit payments.

Mr. Paulden discussed final deliverables, the most important being the Independent Auditor's Report (Opinion) on Financial Statements. This report gives the reader assurance that someone outside MCERA has made the determination that the financial statements are fairly presented in accordance with Generally Accepted Accounting



Principles (GAAP). Another deliverable, the Required Communication to the Board of Retirement in Accordance with Professional Standards (SAS 114), deals with the auditors' responsibilities as fiduciaries to report back to the Audit Committee, and ultimately to the Board, regarding any issues that arose during the conduct of the audit and how the audit process went. Auditors also issue the Report on MCERA's Internal Control over Financial Reporting and on Compliance with Laws and Regulations to identify any weaknesses in internal controls to ensure financial transactions are properly reported. Finally, the Report on Agreed Upon Conditions Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting is issued. This report contains lower-level issues that may be identified regarding improving efficiencies in financial processes.

In conclusion, Mr. Paulden said auditors will work with staff to determine the potential impact of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement deals with long-term arrangements for third-party assistance regarding management or maintenance of information technology to bring attention to potential off-balance sheet risks. Chair Gladstern asked what systems would be applicable to GASB 96 and Mr. Paulden said the auditors will be looking at the pension management system or a financial reporting system, for example. Mr. Paulden addressed GASB Statement No. 100 and 101 which would affect MCERA's financial statements.

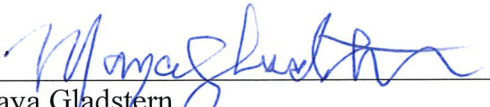
Mr. Paulden invited suggestions on the audit plan from the Committee. Trustee Martinovich asked Mr. Wickman if an Annual Comprehensive Financial Report (ACFR) is planned for fiscal year 2023. In response, the Administrator noted Ms. Bakerink moved from being the Chief Financial Officer (CFO) to Assistant Retirement Administrator. As a result, the new CFO will need time to consider developing the ACFR, but the priority is to close the books and complete the audit process. Mr. Wickman said he would like to see staff begin developing the ACFR even if it was not ultimately presented for certification to the Government Accounting Standards Board this year, but he also wants to make sure the new CFO will be able to complete goals set out in the first six months on the job. Trustee Martinovich voiced support for the Administrator's conservative approach regarding the ACFR, given the constraints of staff turnover and the audit timeline.

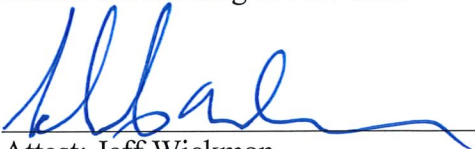
### 3. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

There being no further business, Chair Gladstern adjourned the meeting at 9:37 a.m.

  
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Maya Gladstern  
Audit Committee Chair

  
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Attest: Jeff Wickman  
Retirement Administrator