

AGENDA
AUDIT COMMITTEE MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

May 6, 2020 – 11:00 a.m.

This meeting will be held via teleconference 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 may listen to and observe the meeting on YouTube at <https://youtu.be/DzV0YXjo1Jw>.

If members of the public wish to comment, those comments may be submitted to MCERA via email at MCERABoard@marincounty.org. This account will be monitored prior to and for the duration of the meeting. If the comment pertains to a particular agenda item, please identify that item number and the comment will be read to the Board during that discussion. Otherwise, the comment will be read under Item A, Open Time for Public Expression. All public comments submitted before or during the meeting that pertain to topics within the jurisdiction of the MCERA Board and otherwise comply with MCERA guidelines will be read in open session and kept as part of the permanent record.

The Board of Retirement encourages a respectful presentation of public views to the Committee. The Committee, staff and public are expected to be polite and courteous, and refrain from questioning the character or motives of others. Please help create an atmosphere of respect during Board Committee meetings.

CALL TO ORDER

ROLL CALL

MINUTES

December 4, 2019 Audit Committee meeting

A. OPEN TIME FOR PUBLIC EXPRESSION

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

Open time for public expression, from three to five minutes per speaker, on items not on the Committee Agenda. While members of the public are welcome to address the Committee during this time on matters within the Committee'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 Committee concerning a non-agenda item. Members of the Committee may (1) briefly respond to statements made or questions posed by persons addressing the Committee, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

B. NEW BUSINESS

1. Annual Financial Audit Scope of Services & Process – Rosalva Flores, Brown Armstrong
Review and discuss audit process
2. 2020 Audit Schedule - Rosalva Flores, Partner, Brown Armstrong
Review and discuss schedule of audit activities for 2020
3. Future Meetings
Consider possible agenda topics for future meetings

Note on Process: Items designated for information are appropriate for Committee action if the Committee wishes to take action.



Agenda material is provided upon request. Requests may be submitted by email to MCERABoard@marincounty.org, or by phone at (415) 473-6147.

MCERA is committed to assuring that its public meetings are accessible to persons with disabilities. If you require American Sign Language interpreters, assistive listening devices or other accommodations to participate in this meeting, these may be requested by calling (415) 499-7331 (voice) or (415) 499-6172 (TTY) at least 72 hours in advance.

The agenda is available on the Internet at <http://www.mcera.org>

For consideration at May Committee meeting

MINUTES

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

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

December 4, 2019 – 12:00 p.m.

The Board of Retirement for the Marin County Employees' Retirement Association encourages a respectful presentation of public views to the Board. The Board, staff and public are expected to be polite and courteous, and refrain from questioning the character or motives of others. Please help create an atmosphere of respect during Board and Committee meetings. If members of the public wish to speak on any agenda items, please alert the Retirement Administrator to that request prior to the matter being called.

CALL TO ORDER

Chair Gladstern called the meeting to order at 12:32 p.m.

ROLL CALL

PRESENT: Block, Given, Gladstern

ABSENT: None

Board Chair Steve Silberstein attended the meeting as a guest.

MINUTES

It was M/S Block/Given to approve the November 6, 2019 Audit Committee Meeting Minutes as submitted.

AYES: Block, Given, Gladstern

NOES: None

ABSTAIN: None

ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

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

Open time for public expression, from three to five minutes per speaker, on items not on the Committee Agenda. While members of the public are welcome to address the Committee during this time on matters within the Committee's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or

For consideration at May Committee meeting

action may be taken by the Committee concerning a non-agenda item. Members of the Committee may (1) briefly respond to statements made or questions posed by persons addressing the Committee, (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 Statements – Andy Paulden, Brown Armstrong (Action)

Review and consider recommending that the Board of Retirement adopt the June 30, 2019 financial statements

Andy Paulden of Brown Armstrong presented draft financial statements and audit reports for the fiscal year ending June 30, 2019 for consideration by the Audit Committee. He introduced colleague Ashley Casey who attended the meeting by audio conference. Mr. Paulden reported that Brown Armstrong's responsibility is to conduct the audit in accordance with professional standards. These include auditing standards generally accepted in the United States of America and the related standards contained in *Government Auditing Standards (GAS)*. The first duty is to render an opinion on the financial statements, and this has been done. Other standards require going beyond the normal by considering the conduct of staff, for example. Deliverables in addition to the auditor's report include the Required Communication at the Conclusion of an Audit in Accordance with Professional Standards (SAS 114) 114, report on Internal Control Over Financial Reporting and on Compliance and Other Matters in Accordance with GAS, and a Management Letter having to do with agreed upon conditions.

Mr. Paulden explained that the audit focuses on two significant risk areas, revenue recognition from the two largest sources of revenue, plan sponsor contributions and the investment portfolio. Auditors examine internal controls that mitigate risks, including checks and balances and properly recorded participant data and contributions. Mr. Paulden said any time auditors can reach out directly to third parties to obtain corroborating evidence, this is done. In the investment arena, auditors use data from peer audits and predictive analytics to gain a good understanding of the accuracy of revenues.

Additionally, auditors look for factors mitigating management's ability to override controls that can be a pervasive risk in any organization. These include the segregation of duties, such as for journal entries as to who does what and why. Auditors make inquiries to staff as to their knowledge of any weakness in these controls, and results determine the strengths and weakness of the controls in place. If auditors can place reliance there, then this reduces the need for more auditing, Mr. Paulden explained.

The investment portfolio receives considerable attention by the auditors due to the magnitude of transactions and the inherent risk. For public securities the earnings on investments are marked to market, giving auditors a good understanding that those valuations and changes in valuations are accurate. Auditors perform a walkthrough of internal controls, high-level analytics, and confirm custodian and money managers' responses to one another and internal documents. In its disclosure standard, Brown

For consideration at May Committee meeting

Armstrong describes how it values the investment portfolio. In assessing alternative investments, auditors look to audited financial statements for the managers.

Mr. Paulden emphasized that participant data and its accuracy drives everything that MCERA does. For this reason, GASB Statements No. 67 and 68 are an important part of the audit process. Auditors conduct a test of participant data and employer payroll information, including internal controls of data fed into MCERA and how that is transferred to the actuary. He emphasized the importance of how that information is maintained. The audit process includes making sure contributions are in accordance with Plan provisions and credited to the appropriate reserve accounts. High-level predictive analytics are also performed in these areas.

Mr. Paulden presented a summary report of audit deliverables, the most important being the independent auditor's report issuing an unmodified, clean opinion in accordance with Generally Accepted Accounting Principles (GAAP). He characterized the results of the financial statement audit including required reporting as a standard and clean report. A supplemental report shows an uncorrected adjustment for private equity investments to disclose the time lag of private equity valuation reporting year over year. Mr. Paulden stated there were no disagreements with management or related issues that needed to be reported. There was no noncompliance noted with internal controls that could have a material impact on the financial statements.

In conclusion, Mr. Paulden indicated that by working with the Audit Committee in conjunction with its auditing procedures, the auditors have a thorough financial statement audit process. He explained that from a technical perspective, the entire audit team has to review the financials. This includes a cold review by an auditor who has no prior view of the financials and who signs off on the financial statements. Mr. Paulden thanked Board members and staff for taking the financial audit seriously. He said by using a team approach while maintaining proper skepticism, the auditing process has resulted in a clean opinion. Mr. Paulden invited comment on the financial statement audit.

Trustee Given noted the GASB 67/68 Report was not provided and Mr. Wickman explained the GASB 67/68 Report is a separate agenda item to be approved by the Board at its meeting next week before the financial statements are presented for adoption. Mr. Paulden affirmed it is best practice for the Board to sign off on the GASB 67/68 Report before the financial statements are approved.

It was M/S Given/Block to recommend that the Board adopt the June 30, 2019 Financial Statements.

Trustee Block thanked Mr. Paulden for a productive auditing process. Mr. Wickman expressed appreciation to Mr. Paulden, Ms. Casey and their team for conducting the audit in a collaborative approach each year.

For consideration at May Committee meeting

AYES: Block, Given, Gladstern
NOES: None
ABSTAIN: None
ABSENT: None

2. Future Meetings

Consider possible agenda topics for future meetings

Mr. Wickman said he is planning for Audit Committee meetings to start earlier in 2020. Staff are taking training courses to gear up for going through the exercise of producing a Comprehensive Annual Financial Report (CAFR) as a trial for the auditor to review.

There being no further business, Chair Gladstern adjourned the meeting at 1:04 p.m.

Maya Gladstern, Chairperson

Attest: Jeff Wickman
Retirement Administrator



Marin County Employees' Retirement Association

Scope of Services Presentation – Proposed Audit Plan to the Audit Committee for the Fiscal Year Ended June 30, 2020

Brown Armstrong Accountancy Corporation

4200 Truxtun Avenue, Suite 300, Bakersfield, CA 93309

1919 Grand Canal Blvd., Suite C6, Stockton, CA 95207

Telephone: (661) 324-4971 Fax: (661) 324-4997 www.bacpas.com

Contact: Rosalva Flores, CPA, Ashley L. Casey, CPA, Colin Lo, CPA

Email: rflores@bacpas.com , acasey@bacpas.com, clo@bacpas.com



May 6, 2020

The Audit Committee
Marin County Employees' Retirement Association
One McInnis Parkway, Suite 100, San Rafael, CA 94903-2764

We are pleased to have the opportunity to present to you our plan for the audit of Marin County Employees' Retirement Association (MCERA) for the fiscal year ended June 30, 2020.

This presentation has been prepared to discuss the scope of the audit.

We look forward to presenting this information, addressing your questions, and discussing any other matters of interest to the management of MCERA and the Audit Committee.

Sincerely,

Rosalva Flores, Audit Partner
Ashley L. Casey, Audit Partner
Colin Lo, Audit Manager
Brown Armstrong Accountancy Corporation

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Summary

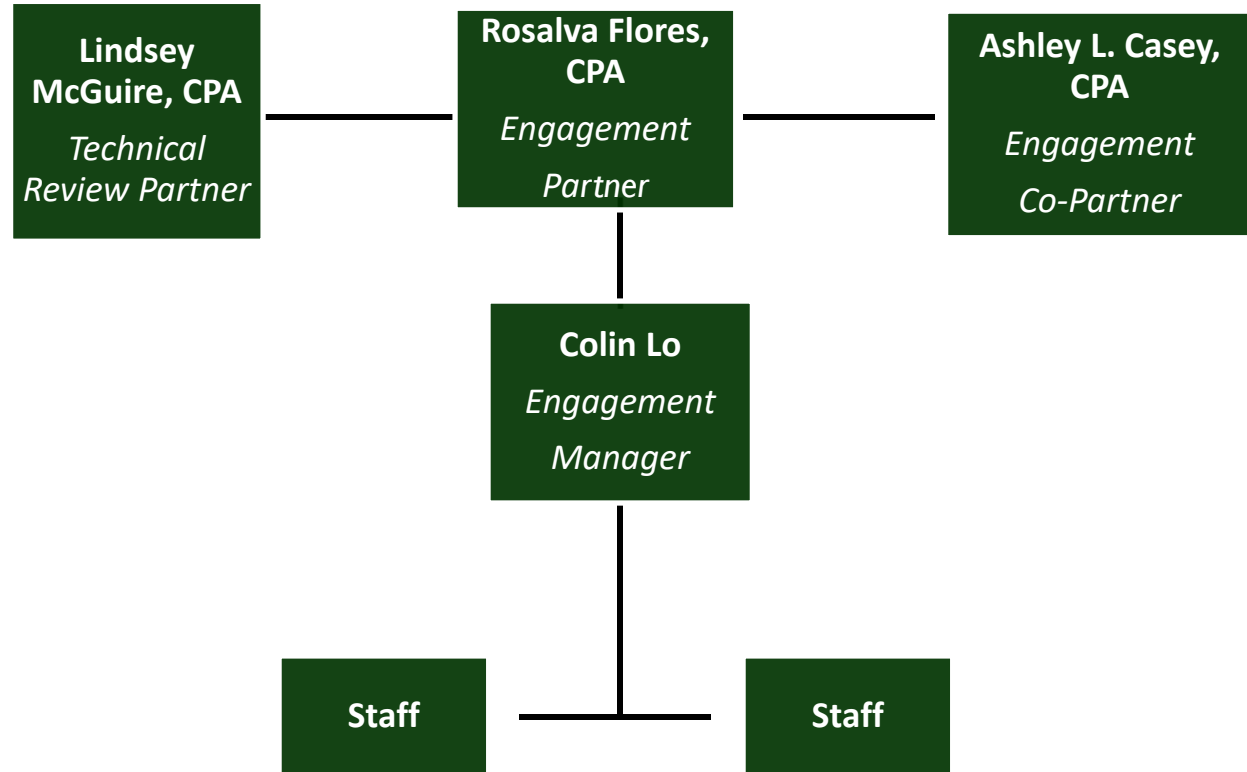
This document outlines our audit strategy and approach for the June 30, 2020 audit of MCERA and gives the Audit Committee the opportunity to review, discuss, and comment on our plan.

This document provides:

- The engagement team and the proposed audit timeline.
- An overview of our audit approach.
- Plan for continuous, two-way communication and reporting to the Audit Committee and management.
- Management's responsibilities in relation to the audit.
- The reports that will be issued.

Some modifications of the scope of our plan may be required as we execute our audit. We will advise the Audit Committee of any significant changes.

The Engagement Team



2020 Audit Timeline/Critical Dates List

Item	Due Date	Status
PLANNING		
AUDITOR to provide MCERA with populations request	Monday, May 11, 2020	
AUDITOR to provide MCERA with the interim information request and Proforma Financial Statements	Friday, May 22, 2020	
MCERA to provide AUDITOR with Active & Retired populations for confirmations	Friday, May 22, 2020	
AUDITOR to provide MCERA with sample selections for confirmations	Wednesday, May 27, 2020	
Active & Retired Participant, Actuary, and Employer Payroll Confirmations returned to AUDITOR for mailing	Friday, June 5, 2020	
AUDITOR to send out second requests for Participant, Actuary, and Employer Payroll Confirmations	Friday, June 26, 2020	
MCERA to provide AUDITOR with other populations for participant testing	Friday, June 26, 2020	
MCERA to provide AUDITOR with March 31, 2020 Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	Friday, June 26, 2020	
MCERA to provide updates to walkthroughs for significant transaction classes. (Contributions, Benefit Payments, Investments, Participant Data, Actuarial, Financial Close and Reporting)	Thursday, July 2, 2020	
INTERIM FIELDWORK		
Beginning of interim audit fieldwork. Please have all interim information requested provided to us by this date in electronic format.	Monday, July 6, 2020	
Custodian, Investment Consultant, Investment Manager, Real Estate, Private Equity, Legal, and Securities Lending confirmations returned to AUDITOR for mailing	Monday, July 6, 2020	
AUDITOR to provide MCERA with year-end information request, general questions, and investment inquiries	Friday, July 10, 2020	

2020 Audit Timeline/Critical Dates List

(continued)

Item	Due Date	Status
Interim Exit conference with MCERA management	Friday, July 17, 2020 Time TBD	
Cash and Contribution confirmations returned to AUDITOR for mailing	Wednesday, August 5, 2020	
MCERA to provide changes to the Proforma Financial Statements	Wednesday, August 5, 2020	
FINAL FIELDWORK PLANNING		
Confirmation replies due to the AUDITOR for the following: Custodian, Investment Manager, Terminated Investment Manager, Investment Consultant, Securities Lending, Real Estate, and Private Equity Investments.	Friday, August 14, 2020	
MCERA to provide June 30, 2020 trial balance in electronic format and draft of Statement of Fiduciary Net Position and Statement Changes to AUDITOR and Actuary	Monday, August 17, 2020	
Beginning of final fieldwork at Brown Armstrong's offices. Please provide all final information requested provided to us by this date in electronic format.	Monday, August 17, 2020	
MCERA Audit Committee Meeting – Audit Status Fieldwork Phase	Wednesday, August 19, 2020 12:00 PM	
Confirmation replies due to the AUDITOR for the following: Cash and Contributions	Friday, August 21, 2020	
FINAL FIELDWORK		
Beginning of final fieldwork at MCERA's office. Please provide space for 4 auditors.	Monday, August 24, 2020	
Investment Questionnaire responses due to AUDITOR	Thursday, August 27, 2020	

2020 Audit Timeline/Critical Dates List

(continued)

Item	Due Date	Status
General Questionnaire responses due to AUDITOR	Thursday, August 27, 2020	
Auditor approval for release of final values to the Actuary	Friday, August 28, 2020	
AUDIT WRAP-UP & PRESENTATION		
Audit update conference call with MCERA Management	Friday, September 4, 2020 Time TBD	
MCERA to provide AUDITOR with draft of financial statements, including MD&A and Notes	Thursday, September 17, 2020	
AUDITOR to provide suggested changes or revisions to financial statements	Friday, September 25, 2020	
MCERA to provide AUDITOR with draft of financial statements and supporting notes	Wednesday, September 30, 2020	
AUDITOR to provide suggested changes or revisions to financial statements	Wednesday, October 7, 2020	
MCERA to provide AUDITOR with draft of financial statements	Wednesday, October 14, 2020	
AUDITOR to provide drafts of the following reports to MCERA: Report on Compliance and Internal Control Audit Committee Report (SAS 114 Letter) Letter to Management	Friday, October 16, 2020	
AUDITOR to provide clean draft of Financial Statements prior to GASB 67/68	Wednesday, October 21, 2020	

2020 Audit Timeline/Critical Dates List

(continued)

Item	Due Date	Status
Audit Committee discussion and review of draft financial statements	Wednesday, October 28, 2020 12:00 PM	
MCERA to provide changes on review of draft reports and responses to findings, if any	Friday, October 30, 2020	
MCERA to receive Draft Actuary GASB 67/68 Report	Friday, October 30, 2020	
MCERA to provide AUDITOR with revisions to financial statements to include GASB 67/68 and comments from the Audit Committee Meeting	Friday, November 6, 2020	
AUDITOR to provide suggested changes or revisions to financial statements with GASB 67/68	Wednesday, November 11, 2020	
Confirmation replies due to the AUDITOR for the following: Legal	Monday, November 16, 2020	
MCERA to provide approval of AUDITOR Financial Statement suggestions and any further changes for Draft to be presented at Audit Committee and Quality Control Internal Review	Monday, November 16, 2020	
AUDITOR presentation to MCERA Audit Committee	TBD	
AUDITOR to provide final copies (in email PDF version) of the following reports to MCERA: June 30, 2020 Financial Statements Report on Compliance and Internal Control Audit Committee Report (SAS 114 Letter) Letter to Management	TBD	
AUDITOR to provide 13 "hard copy packets" of the above reports for board meeting and 7 additional bound Financial Statements	Friday, December 4, 2020	
MCERA Board of Retirement acceptance of Audit Reports	Wednesday, December 9, 2020	

Our Audit Objectives

As the auditor for MCERA, we are responsible for reporting on the financial statements of MCERA for the fiscal year ended June 30, 2020. Our engagement is focused on delivering our services at three levels.

For the public and MCERA	Independent opinions and reports that provide assurance on the financial information released by MCERA.
For the Audit Committee/Board of Retirement	Assistance in discharging their fiduciary responsibilities.
For management	Observations and advice on financial reporting, accounting, and internal control issues from our professionals.

Our primary objective is the expression of an opinion on MCERA's financial statements and internal control over financial reporting in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, which includes:

- Obtaining reasonable assurance as to whether the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are free of material misstatements, whether caused by error or fraud; and
- Obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Audit Strategy

Phase I	Phase II	Phase III	Phase IV
Planning	Interim Field Work	Final Field Work	Completion
Familiarize ourselves with operating environment	Assess internal control environment and identify strengths and weaknesses	Plan and perform substantive audit procedures substantiating all amounts and disclosures in the financial statements	Perform completion procedures, including manager, partner, and technical reviews
Perform risk assessment procedures	Perform SAS 99 (fraud evaluation) procedures	Conduct final analytical review	Obtain GASB Statements No. 67 & No. 68 valuation performing completion procedures
Determine planning materiality	Perform walkthroughs of significant audit areas	Consider audit evidence sufficiency	Obtain legal confirmations
Perform preliminary analytical review	Evaluate design and implementation of selected controls	Conclude on critical accounting matters	Draft reports to be issued
Develop the audit plan	Test controls over financial reporting and participant data	Test valuations of fair value investments	Draft and obtain signed management representation letter
Identify significant audit areas and confirmation procedures	Understand accounting and reporting activities	Continually educate staff about upcoming GASB standards/audit regulations that will need to be implemented	Issue auditor's reports and management letter
Determine nature and extent of audit procedures	Conduct exit conference with management to discuss preliminary results based on the test of controls performed	Conduct Exit Conference with management, including a discussion of proposed audit adjustments, internal control and compliance findings, and management letter	Board of Retirement or Audit Committee meeting; Presentation of Audit and Compliance Reports
Audit Committee meeting; Presentation of Scope of Services and Engagement Letter	Reevaluate the progress of the audit and make any changes on audit approach and procedures, if necessary		

Audit Areas of Focus

Significant Risk Areas	Brown Armstrong's Response
Revenue recognition	<ul style="list-style-type: none"> • Test of controls will be performed over contribution amounts as part of participant data • Confirmations from third parties • Other substantive analytics will also be performed
Management override of controls	<ul style="list-style-type: none"> • An understanding of controls over journal entries will be obtained and a sample of individual journal entries will be tested • Inquiries will be performed with individual(s) involved in the financial reporting process, and ensure no inappropriate or unusual activity relating to journal entry processing • Perform walkthroughs of significant audit areas to review adequate segregation of duties

Audit Areas of Focus (continued)

Significant Audit Areas	Brown Armstrong's Response
Investments and related earnings	<ul style="list-style-type: none"> • Walkthrough of controls to be performed • High level analytics to be performed on investment income • Confirmation with custodian, managers, and consultants • Review GASB Statement No. 72 valuation inputs and testing of Level determinations • Obtain audited financial statements and SOC reports
Participant data and actuary	<ul style="list-style-type: none"> • Walkthrough and test of controls • Test participant data, including active and terminated members, and employer payroll <ul style="list-style-type: none"> • Confirm with individual participants, actuary, and employers • GASB Statements No. 67/68 <ul style="list-style-type: none"> • Money-weighted return • Required Supplementary Information (RSI) and Other Information schedules
Employer and employee contributions	<ul style="list-style-type: none"> • Walkthrough and test of controls • Confirm with employers • High level analytics
Benefit payments	<ul style="list-style-type: none"> • Walkthrough and test of controls • Test benefit payments • High level analytics

Planned Audit Approach

- **Investments and Related Earnings**

- **Investments in General**

- Identify all investment accounts and portfolios
- Document our understanding of MCERA's internal controls over investments, including the following:
 - ❖ Establishment of investment policies and guidelines, including asset allocation and securities lending
 - ❖ Hiring and monitoring of asset managers, custodian banks, and other investment consultants
 - ❖ Determining fair values of investments
 - ❖ Account reconciliations and performance reviews
- Review MCERA's investment reconciliations
- Confirm year-end balances, including securities lending activities, with master custodian and asset managers (including trade receivables and payables)
- Select a sample of publicly traded investments and test fair values based on quoted market prices
- Verify accurate identification and financial reporting of deposit and investment risk
- GASB Statement No. 72
 - ❖ Obtain an understanding of management's methodology for classifying investments to comply with GASB Statement No. 72
 - ❖ Obtain investment schedules and disclosures from management and review for adequacy and compliance with GASB Statement No. 72

- **Investments in Derivatives**

- Review investment reports and third-party statements to substantiate the existence of derivatives, if any
- Determine the appropriateness of the methodology used to value derivative investments
- Compare fair values to quoted market prices, if available
- Perform tests of underlying data to determine the reasonableness of fair values for which quoted market prices are not available

Planned Audit Approach (continued)

- **Investments in Real Estate**
 - Review supporting documentation to substantiate the existence of real estate investments
 - Assess the qualifications and nature of the work performed by external appraisal firms in accordance with SAS 73
 - Determine the appropriateness of the methodology used to value real estate investments
 - Compare the most recent real estate appraisals to reported real estate investments
 - Analytically review fair values as compared to prior periods and determine the reasonableness of valuations based on known trends and market conditions
 - Read interim investment reports and inquire of management to determine that outstanding commitments have been properly disclosed in the financial statements

- **Alternative Investments (Direct Investments and Partnerships)**
 - Review supporting documentation, such as partnership agreements, to substantiate the existence of alternative investments
 - Determine the appropriateness of the methodology used to value alternative investments
 - Compare the most recent audited financial statements and other investment reports to reported alternative investments
 - ❖ Consider fair value changes resulting from timing issues, including subsequent contributions and distributions, and propose adjustments as necessary
 - ❖ Analytically review fair values as compared to prior periods and determine the reasonableness of valuations based on known economic and business conditions

Planned Audit Approach (continued)

- **Investment Income and Expenses**
 - Perform analytical procedures over reported balances. Our work should normally cover:
 - ❖ Compare current year operating results with the prior year
 - ❖ Compare key financial and operating ratios with the prior year, the industry, and with each other (e.g., actual, target, and benchmark performances, etc.)
 - ❖ Recalculate investment income and expenses to determine reasonableness
 - Confirm balances with asset managers and custodian bank

- **Participant Data and Employee/Employer Contributions**
 - Document our understanding of MCERA's internal controls over contributions from participating employees and member employers, including the following:
 - Underlying authority for contributions (established law, contracts, and formulas)
 - Select a sample of active members contributing and perform tests of significant internal controls and compliance related to pensionable salary and employee contributions
 - Payment of contributions and related account reconciliations
 - Review MCERA's account reconciliations to determine accuracy and completeness
 - Determine that contributions are consistent with actuarial requirements or plan provisions, as applicable
 - Perform analytical procedures over reported contributions:
 - Compare reported amounts to prior years, considering participation levels and funding requirements
 - Assess the reasonability of contributions based on covered payroll and required contribution rates, as appropriate
 - Confirm contributions and pensionable salaries directly with employers

Planned Audit Approach (continued)

- **Participant Data and Benefit Payments**

- Document our understanding of MCERA's internal controls over benefit payments, including the following:
 - Underlying authority establishing benefit provisions
 - Process for determining eligibility to receive benefits
 - Determination of benefit amounts based on established formulas/criteria
 - Payment of benefits and related account reconciliations
 - Select a sample of benefit payments and perform tests of significant internal controls and compliance
- Review MCERA's account reconciliations to determine accuracy and completeness
- Perform analytical procedures over reported benefits:
 - Compare reported amounts to prior years, considering participation levels, benefit provisions, and inflationary or cost of living adjustment
 - Recalculate benefit payments to determine reasonableness
- Actuary information
 - Review the actuarial valuation and GASB 67/68 valuation reports provided by the actuarial firm, as it affects the financial statements
 - Determine that actuarial information presented in the Other Information, footnotes to the financial statements, and RSI is consistent with information contained in the actuarial valuation report and determine that the requirements of GASB Statements No. 67/68 have been met
 - Obtain access to the underlying records of the active, inactive, and retired participants to test and verify the accuracy of the underlying data

Proposed Changes in Audit Plan from Prior Year

- Retiree participant testing - Additional attributes related to:
 - Calculation of final average salary
 - Reviewing year-end payroll records to determine new retirees have been removed from active payroll
- IT intrusion testing to be performed by 3rd party - Review results

Reports Expected to be Issued

	<i>Government Auditing Standards</i>		
GAAS Standards			
Independent Auditor's Report (Opinion) on Financial Statements	Required Communication to the Board of Retirement in Accordance with Professional Standards (SAS 114)	Report on MCERA'S Internal Control over Financial Reporting and on Compliance with Laws and Regulations (Yellow Book Report)	Report on Agreed Upon Conditions Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting (Management Letter)

Implementation of New Accounting Pronouncements if Applicable to MCERA for the June 30, 2020 Audit

Standard	Title	Effective Date	Year End Effective Date	Effect on MCERA?
GASB Statement No. 84	<i>Fiduciary Activities</i>	Fiscal years beginning after December 15, 2018	July 1, 2019 – June 30, 2020	Not applicable as MCERA does not have any Fiduciary Funds.
GASB Statement No. 90	<i>Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61</i>	Fiscal years beginning after December 15, 2016	July 1, 2019 – June 30, 2020	Not applicable as MCERA does not have component units.

Note: The GASB is considering delaying implementation by one year all statements with an effective date that begins on or after reporting periods beginning after June 15, 2018, as a result of the state and local governments closure of offices due to the pandemic.

Future Accounting Pronouncements

Standard	Title	Effective Date	Year End Effective Date	Effect on MCERA?
GASB Statement No. 87	<i>Leases</i>	Fiscal years beginning after December 15, 2019	July 1, 2020 – June, 30, 2021	Requires the recognition of certain assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. MCERA's potential impact upon implementation has not been determined.
GASB Statement No. 89	<i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i>	Fiscal years beginning after December 15, 2019	July 1, 2020 – June, 30, 2021	This statement does not apply as MCERA does not account for or report construction.
GASB Statement No. 91	<i>Conduit Debt Obligations</i>	Fiscal years beginning after December 15, 2020	July 1, 2021 – June 30, 2022	This statement does not apply as MCERA does not have debt obligations.
GASB Statement No. 92	<i>Omnibus 2020</i>	The effective dates vary dependent on the various topics and early application is encouraged and is permitted by topic.	The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. All other topics vary.	This statement was issued to enhance the comparability in accounting and financial reporting and to improve consistency addressing issues identified during implementation and application of certain GASB statements. MCERA's potential impact upon implementation has not been determined.

Questions?

We are looking forward to working closely with you and the management team during the June 30, 2020 audit.

Thank you!

BROWN ARMSTRONG
Certified Public Accountants



Rosalva Flores, CPA



Colin Lo, CPA



Ashley L. Casey, CPA



B.2 2020 Audit Schedule

The Audit Schedule is included in backup for Agenda Item B.1.