

**AGENDA**  
**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.**

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This meeting will be 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.

Instructions for watching the meeting and/or providing public comment, as well as the links for access, are available on the [Watch & Attend Meetings](https://www.mcera.org/retirementboard/agendas-minutes/watchmeetings) page of MCERA's website. Please visit <https://www.mcera.org/retirementboard/agendas-minutes/watchmeetings> for more information.

The Board of Retirement 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 meetings.

**CALL TO ORDER**

**ROLL CALL**

**MINUTES**

December 1, 2020 Audit Committee meeting

**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. Annual Financial Audit Scope of Services and Processes – Rosalva Flores, Partner, Brown Armstrong  
Consider and discuss annual financial audit processes
2. Audit Committee 2021 Audit Schedule – Rosalva Flores, Partner, Brown Armstrong  
Review and discuss schedule of audit activities for 2021
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](mailto: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 are a person with a disability and require an accommodation to participate in a County program, service, or activity, requests may be made by calling (415) 473-4381 (Voice), Dial 711 for CA Relay, or by email at least five business days in advance of the event. We will do our best to fulfill requests received with less than five business days' notice. Copies of documents are available in alternative formats upon request.

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

For consideration at April 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 1, 2020 – 9:00 a.m.

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This meeting was 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 was able to listen to and observe the meeting on YouTube.

#### **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 August 19, 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 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

For consideration at April Committee meeting

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. Financial Audit Review – Rosalva Flores, Brown Armstrong** Review and discuss audit results

Rosalva Flores, Partner with Brown Armstrong, reviewed the scope of services and methodologies of the annual financial audit. The audit includes a review and discussion of internal controls, a Required Communication in accordance with professional standards (SAS 114), and the Agreed Upon Conditions Report designed to improve efficiency, internal controls, and/or financial reporting.

Colin Lo, CPA with Brown Armstrong, reported that in May 2020 auditors initiated the financial audit with requests for information from MCERA. Interim fieldwork followed including testing of internal controls. Significant risk areas include revenue recognition, management override of controls, investments and related earnings, and participant data. The auditors review account balances, fair value of investments and net pension liability for reasonableness and accuracy and communicate with participants to verify the accuracy of data.

By mid-August auditors completed final fieldwork to substantiate all accounts and balances and review confirmation responses. Results of fieldwork were discussed with management in a conference call in September, and draft reports and recommendations were provided in November. Mr. Lo stated during the remote audit process the use of shared files allowed for effective communication.

Ms. Flores reported Brown Armstrong will issue an unmodified, clean opinion verifying the financial statements are in accordance with Generally Accepted Accounting Principles. Other standards required the identification of any internal control issues or material weaknesses and none were found. Auditors did not identify any non-compliance issues and there were no disagreements with management. Auditors proposed a significant adjustment to the financial statements as a result of the \$37 million increase in the final value of the private equity portfolio. Ms. Flores welcomed questions or comments on the draft financial statements and thanked the entire MCERA team for their assistance with the audit.

Trustee Block asked about the process used to determine fair value for private real estate investments. In response Ms. Flores said auditors look at December 31, 2019 financial statements for the real estate managers. She said the auditors look at who is auditing the portfolio managers, how investments are valued, and whether there is consistency in these processes. In addition, auditors look at the investment consultant reports and returns over 1, 3 and 5 years, looking for any significant deviation that would require more work. Ms. Flores said over a longer period of time real estate returns compared with the benchmark and peers look reasonable. Trustee Block pointed out there were significant changes in the

For consideration at April Committee meeting

real estate portfolio subsequent to December 31, 2019 and said it is good to compare with peers and the benchmark.

Trustee Block requested clarification on the recommendation to review Service Organization Controls (SOC) reports. Ms. Flores replied that her recommendation was for MCERA staff specifically to review the managers' SOC reports as to whether there were clean opinions or potential risk identified that may raise a concern, such as in the findings section on internal controls. The auditors recommend a process be created to document the review of the SOC reports and identification of issues that might need to be addressed.

2. Financial Statements (Action)– Rosalva Flores, Brown Armstrong  
Review, discuss and possibly recommend that the Board adopt proposed June 30, 2020 Financial Statements

Trustee Block asked about the statement in the Notes to Financial Statements (Notes) that the Fund does not hold investments representing 5% or more of the total investment portfolio with respect to commingled funds if they are identified as entities. Ms. Flores replied the Government Accounting Standards Board (GASB) is very specific in their definition and certain exclusions, including commingled funds, would apply. Trustee Block suggested changing the word "entity" to "issuer" and gave the example of a private equity fund that may exceed 5%. Ms. Flores said limited partnerships would be subject to the 5% maximum.

Trustee Block questioned the reference in the Notes to foreign currency risk being minimal and Ms. Flores and Retirement Administrator Jeff Wickman agreed to clarify foreign currency risk. The Committee determined that settled lawsuits may remain as Contingencies. Trustee Block thanked the Brown Armstrong audit team for conducting the audit under difficult circumstances.

It was M/S Block/Silberstein to recommend that the Board adopt the June 30, 2020 Financial Statements with the edits discussed above. The motion was approved by a vote of 4-0 as follows:

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

3. Future Meetings  
Consider possible agenda topics for future meetings

Mr. Wickman expressed appreciation to the Brown Armstrong audit team for their cooperation with MCERA's accounting team under unusual circumstances this year. He sees improvement in financial reporting processes.

There being no further business, Chair Gladstern adjourned the meeting at 9:51 a.m.

For consideration at April Committee meeting

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Jeff Wickman  
Retirement Administrator

On behalf of:  
Maya Gladstern, Committee Chair

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Michelle Hardesty  
Assistant Retirement Administrator

On behalf of:  
Jeff Wickman, Retirement Administrator

DRAFT



# **Marin County Employees' Retirement Association**

## **Scope of Services Presentation – Proposed Audit Plan to the Audit Committee for the Fiscal Year Ended June 30, 2021**

### **Brown Armstrong Accountancy Corporation**

4200 Truxtun Avenue, Suite 300, Bakersfield, CA 93309

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Telephone: (661) 324-4971 Fax: (661) 324-4997 [www.bacpas.com](http://www.bacpas.com)

Contact: Rosalva Flores, CPA, Colin Lo, CPA

Email: [rflores@bacpas.com](mailto:rflores@bacpas.com), [clo@bacpas.com](mailto:clo@bacpas.com)



April 7, 2021

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, 2021.

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  
Colin Lo, Audit Manager  
Brown Armstrong Accountancy Corporation



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## Summary

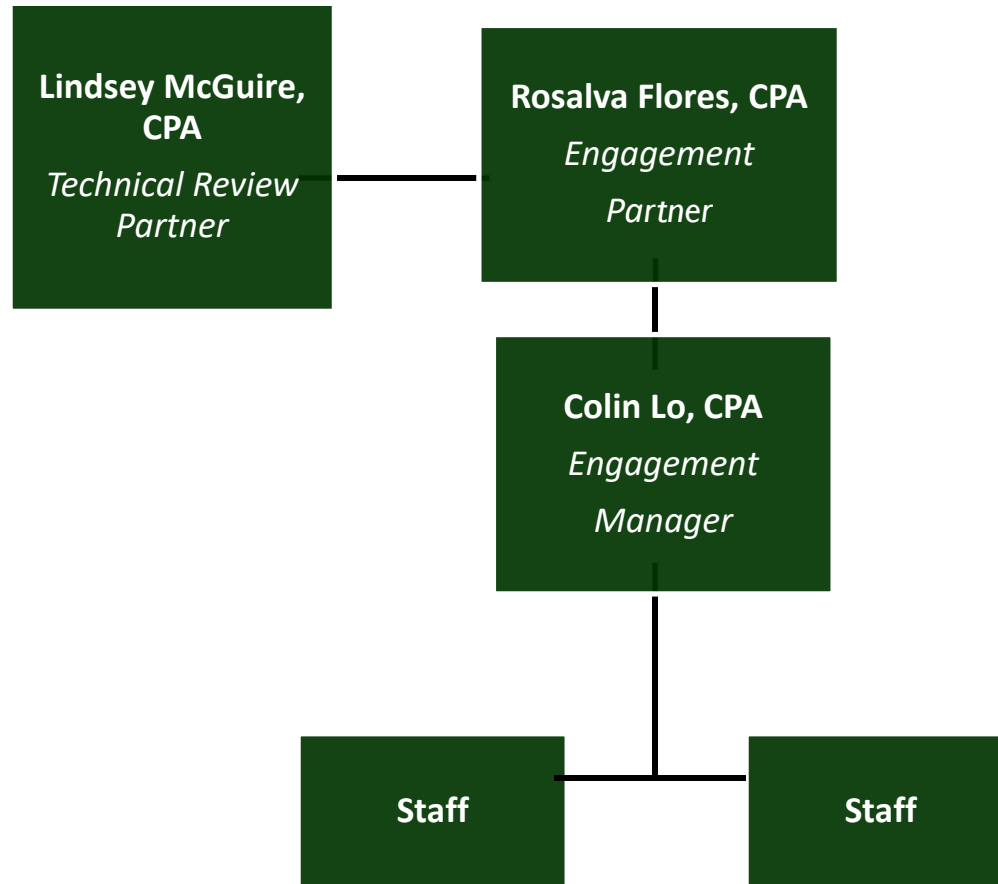
This document outlines our audit strategy and approach for the June 30, 2021 audit of MCERA and gives the Audit Committee the opportunity to review, discuss, and comment on our plan.

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



# 2021 Audit Timeline/Critical Dates List

Item	Due Date	Status
<b>PLANNING</b>		
AUDITOR to provide MCERA with populations request	Monday, May 10, 2021	
AUDITOR to provide MCERA with the interim information request and Proforma Financial Statements	Friday, May 21, 2021	
MCERA to provide AUDITOR with Active and Retired populations for confirmations	Friday, May 21, 2021	
AUDITOR to provide MCERA with sample selections for confirmations	Wednesday, May 26, 2021	
Active and Retired Participant, Actuary, and Employer Payroll Confirmations returned to AUDITOR for mailing	Friday, June 4, 2021	
AUDITOR to send out second requests for Participant, Actuary, and Employer Payroll Confirmations	Friday, June 25, 2021	
MCERA to provide AUDITOR with other populations for participant testing	Friday, June 25, 2021	
MCERA to provide AUDITOR with March 31, 2021 Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	Friday, June 25, 2021	
MCERA to provide updates to walkthroughs for significant transaction classes (Contributions, Benefit Payments, Investments, Participant Data, Actuarial, Financial Close, and Reporting)	Thursday, July 1, 2021	
<b>INTERIM FIELDWORK</b>		
Beginning of interim audit fieldwork. Please have all interim information requested provided to us by this date in electronic format.	Monday, July 5, 2021	
Custodian, Investment Consultant, Investment Manager, Real Estate, Private Equity, Legal, and Securities Lending confirmations returned to AUDITOR for mailing	Monday, July 5, 2021	
AUDITOR to provide MCERA with year-end information request, general questions, and investment inquiries	Friday, July 9, 2021	

# 2021 Audit Timeline/Critical Dates List

(continued)

Item	Due Date	Status
Interim Exit conference with MCERA management	Friday, July 16, 2021 Time TBD	
Cash and Contribution confirmations returned to AUDITOR for mailing	Wednesday, August 4, 2021	
MCERA to provide changes to the Proforma Financial Statements	Wednesday, August 4, 2021	
<b>FINAL FIELDWORK PLANNING</b>		
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 13, 2021	
MCERA to provide June 30, 2021 trial balance in electronic format and draft of Statement of Fiduciary Net Position and Statement Changes to AUDITOR and Actuary	Monday, August 16, 2021	
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 16, 2021	
MCERA Audit Committee Meeting – Audit Status Fieldwork Phase	Wednesday, August 18, 2021 12:00 PM	
Confirmation replies due to the AUDITOR for the following: Cash and Contributions	Friday, August 20, 2021	
<b>FINAL FIELDWORK</b>		
Beginning of final fieldwork at MCERA's office. Please provide space for 4 auditors.	Monday, August 23, 2021	
Investment Questionnaire responses due to AUDITOR	Thursday, August 26, 2021	

# 2021 Audit Timeline/Critical Dates List

(continued)

Item	Due Date	Status
General Questionnaire responses due to AUDITOR	Thursday, August 26, 2021	
Auditor approval for release of final values to the Actuary	Friday, August 27, 2021	
<b>AUDIT WRAP-UP &amp; PRESENTATION</b>		
Audit update conference call with MCERA Management	Friday, September 3, 2021 Time TBD	
MCERA to provide AUDITOR with draft of financial statements, including MD&A and Notes	Thursday, September 16, 2021	
AUDITOR to provide suggested changes or revisions to financial statements	Friday, September 24, 2021	
MCERA to provide AUDITOR with draft of financial statements and supporting notes	Wednesday, September 29, 2021	
AUDITOR to provide suggested changes or revisions to financial statements	Wednesday, October 6, 2021	
MCERA to provide AUDITOR with draft of financial statements	Wednesday, October 13, 2021	
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 15, 2021	
AUDITOR to provide clean draft of Financial Statements prior to GASB 67/68	Wednesday, October 20, 2021	

# 2021 Audit Timeline/Critical Dates List

(continued)

Item	Due Date	Status
Audit Committee discussion and review of draft financial statements	Wednesday, October 27, 2021 12:00 PM	
MCERA to provide changes on review of draft reports and responses to findings, if any	Friday, October 29, 2021	
MCERA to receive Draft Actuary GASB 67/68 Report	Friday, October 29, 2021	
MCERA to provide AUDITOR with revisions to financial statements to include GASB 67/68 and comments from the Audit Committee Meeting	Friday, November 5, 2021	
AUDITOR to provide suggested changes or revisions to financial statements with GASB 67/68	Wednesday, November 10, 2021	
Confirmation replies due to the AUDITOR for the following: Legal	Monday, November 15, 2021	
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 15, 2021	
AUDITOR presentation to MCERA Audit Committee	TBD	
AUDITOR to provide final copies (in email PDF version) of the following reports to MCERA: June 30, 2021 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 3, 2021	
MCERA Board of Retirement acceptance of Audit Reports	Wednesday, December 8, 2021	

# 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, 2021. 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
<b>Planning</b>	<b>Interim Field Work</b>	<b>Final Field Work</b>	<b>Completion</b>
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 and 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"> <li>• Test of controls will be performed over contribution amounts as part of participant data</li> <li>• Confirmations from third parties</li> <li>• Other substantive analytics will also be performed</li> </ul>
Management override of controls	<ul style="list-style-type: none"> <li>• An understanding of controls over journal entries will be obtained and a sample of individual journal entries will be tested</li> <li>• 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</li> <li>• Perform walkthroughs of significant audit areas to review adequate segregation of duties</li> </ul>

# Audit Areas of Focus (continued)

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

# 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

- Test City of San Rafael employees who have differential pay
- Credit Card Testing
- IT Procedures
  - Evaluate new accounting system
  - Evaluate county's new payroll system
  - Analyze outside IT assessment and intrusion testing results



# Reports Expected to be Issued

	<i>Government Auditing Standards</i>		
<b>GAAS Standards</b>			
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)

B.1

# Implementation of New Accounting Pronouncements if Applicable to MCERA for the June 30, 2021 Audit

None



# Future Accounting Pronouncements

Standard	Title	Effective Date	Year End Effective Date	Effect on MCERA?
GASB Statement No. 87	<i>Leases</i>	Fiscal June 15, 2021	July 1, 2021 – June 30, 2022	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, 2020	July 1, 2021 – June 30, 2022	The 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, 2021	July 1, 2022 – June 30, 2023	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 are effective July 2021 to June 30, 2022.	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.

# Future Accounting Pronouncements (Continued)

Standard	Title	Effective Date	Year End Effective Date	Effect on MCERA?
GASB Statement No. 93	<i>Replacement of Interbank Offered Rates</i>	The effective dates vary dependent on the various topics and early application is encouraged and is permitted by topic.	The requirements of this statement, except paragraphs 11b, 13, and 14, are effective for reporting periods beginning after June 15, 2021. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal periods beginning after June 15, 2021.	This statement does not apply as MCERA does not have agreements in which variable payments made or received depend on an interbank offered rate.
GASB Statement No. 94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	Fiscal years beginning after June 15, 2022	July 1, 2022 – June 30, 2023	This statement does not apply as MCERA does not have public-private or public-public partnership agreements.
GASB Statement No. 96	<i>Subscription-Based Information Technology Arrangements</i>	Fiscal years beginning after June 15, 2022	July 1, 2022 – June 30, 2023	MCERA's potential impact upon implementation has not been determined.
GASB Statement No. 97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 257 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32</i>	The effective dates vary dependent on the various topics and early application is encouraged and is permitted by topic.	The requirements in (1) paragraph 4 of this statement as it applied to defined contribution pension plans, defined OPEB plans, and other employee benefit plans and (2) paragraph 5 of this statement are effective immediately. The requirements in paragraphs 6-9 of this statement are effective in fiscal years beginning after June 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021.	This statement does not apply as MCERA does not have a Deferred Compensation Plan.

# Questions?

We are looking forward to working closely with you and the management team during the June 30, 2021 audit.

Thank you!

**BROWN ARMSTRONG**  
Certified Public Accountants



Rosalva Flores, CPA



Colin Lo, CPA



## B.2 2021 Audit Committee Audit Schedule

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