

AGENDA

AUDIT COMMITTEE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

August 3, 2022 – 9:00 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 August 12, 2022.

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 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 Committee meetings.

CALL TO ORDER

ROLL CALL

MINUTES

May 17, 2022 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. Introduction of New Audit Partner – Rosalva Flores, Partner, Brown Armstrong
2. Financial Audit Review – Interim Fieldwork Phase – Neeraj Datta, Partner, Brown Armstrong
Review and discuss interim fieldwork phase results.
3. Future Meetings
Consider and discuss agenda items for future meetings.

Note on Process: Items designated for information are appropriate for Committee action if the Committee wishes to take action. Any agenda item from a properly noticed Committee meeting held prior to this Committee meeting may be considered by the Committee.



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 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 August Committee meeting

MINUTES

AUDIT COMMITTEE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

May 17, 2022 – 11:00 a.m.

This meeting was 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 June 3, 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 11:02 a.m.

ROLL CALL

PRESENT: Gladstern, Martinovich, Silberstein

ABSENT: None

MINUTES

It was M/S Martinovich/Gladstern to approve the December 8, 2021 Audit Committee Meeting Minutes as submitted. The motion was approved by a vote of 2-0 as follows:

AYES: Gladstern, Martinovich

NOES: None

ABSTAIN: None

ABSENT: Silberstein

A. OPEN TIME FOR PUBLIC EXPRESSION

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No members of the public provided comment.

Trustee Silberstein joined the meeting at 9:05 a.m.

B. NEW BUSINESS

1. Annual Financial Audit Scope of Services and Processes – Rosalva Flores, Partner, Brown Armstrong

Consider and discuss annual audit processes.

Rosalva Flores, Partner with Brown Armstrong and Engagement Partner, discussed the scope of services and processes for the annual financial audit. Ms. Flores announced that Alaina Vandermade will be the Engagement Manager throughout the audit, overseeing the audit team, and communicating any key issues with management.

Ms. Flores stated the audit objectives are to issue audit opinions to provide the public assurance that MCERA's financial statements conform to all applicable standards. Objectives include assisting the Audit Committee and Retirement Board in discharging their fiduciary responsibilities, and providing professional observations and advice on financial reporting, accounting, and internal controls for management.

Ms. Flores highlighted dates throughout the audit timeline from today's kickoff meeting through presentation of audit results to the Retirement Board at its December 14, 2022 meeting. As the audit progresses, auditors review any changes that have occurred and keep an open dialogue with respect to deliverables for management. Trustee Martinovich asked if the Draft Audit Reports issuance in November includes an Annual Comprehensive Financial Report (ACFR) or the basic financial statements, and Ms. Flores affirmed it is basic financial statements.

The audit strategy begins in June with Phase I to plan what information to gather and to request from MCERA. Phase II begins in August when auditors complete interim fieldwork involving testing key accounting controls, corroborating participant data, and confirming the accuracy of calculations in the benefit management system. During this phase auditors conduct fraud interviews with staff, Committee members, or Board members. In late September Phase III involves final field work when any significant findings or additional procedures are considered. Auditors take into consideration third party confirmation responses and testing fair valuation of investments to substantiate material account balances. Then, in an exit conference with management, the auditors communicate where the audit process stands and if there are any recommendations. Phase IV during November is the completion of the audit including technical reviews, GASB 67/68 Statements procedures, issuance of reports and final opinions, and presentation of results to the Audit Committee or Board.

Ms. Flores explained that auditors develop a risk assessment plan to focus on significant risk areas. Two of these areas are revenue recognition and management override of controls. For revenue recognition controls over contribution amounts are tested and confirmations are obtained from third parties. An example of testing management override

For consideration at August Committee meeting

of controls would be assuring there is control over journal entries by having them properly authorized and recorded in the accounting system.

Other significant audit areas include investments and related earnings, participant data and actuarial data, employer and employee contributions, and benefit payments. Ms. Flores said much of this work involves auditors coordinating with the custodian, investment managers, and consultants to obtain verifying information. During this process, methods and assumptions in determinations of fair value of investments are reviewed. Participant data is confirmed using samples of active and retired participants and reconciling this information with the records in the benefit management system. Auditors perform reconciliations to assure information on employers is accurate, and high-level analytics are employed to confirm account balances.

Changes in the audit plan from the prior year include evaluating Marin County's new payroll system. In the information technology area, auditors will conduct a survey to determine appropriate general controls. Trustee Martinovich asked if this results in an Information Technology General Controls (ITGC) component that may affect the timing of the financials. In response Ms. Flores said auditors gain a general understanding of IT controls and any changes from the prior year. There would be no impact on the timing of the final financial statements. Based on the respective observations of Ms. Hardesty and Trustee Martinovich, Brown Armstrong will update audit plans to reflect there is no new internal accounting system and no plan for an Annual Comprehensive Financial Report (ACFR). Auditors will review GASB Statement No. 87 regarding leases to determine if there is applicability to MCERA.

Upon completing the annual audit, Brown Armstrong will be issuing the following reports: the Opinion on Financial Statements; a letter on any significant audit adjustments or audit standards that were implemented (per SAS 114); a Report on MCERA's Internal Controls identifying any material weaknesses; and the Management Letter listing recommendations, if any, for improvements and best practices.

Chair Gladstern asked if there are differences with MCERA's audit compared with other County Employees Retirement Law of 1937 (CERL) system audits Brown Armstrong performs. Ms. Flores replied any areas of difference would be identified in the Management Letter.

2. Audit Committee 2022 Audit Schedule – Rosalva Flores, Partner, Brown Armstrong
Review and discuss schedule of audit activities for 2022.

See discussion above.

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

The Committee will meet next on August 3, 2022.

For consideration at August Committee meeting

There being no further business, Chair Gladstern adjourned the meeting at 11:43 a.m.

Jeff Wickman
Retirement Administrator

On behalf of:
Maya Gladstern, Audit Committee Chair

Michelle Hardesty
Assistant Retirement Administrator

On behalf of:
Jeff Wickman, Retirement Administrator

DRAFT

B.1 Introduction of New Audit Partner

This is a discussion with no backup.

B.2 Financial Audit Review - Interim Fieldwork Phase

This is a discussion with no backup.

B.3 Future Meetings

This is a discussion with no backup.