

AGENDA

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.

This meeting will be held at the address listed above and, absent technological disruption, will be accessible via videoconference and conducted in accordance with Government Code section 54953 and 54954.2 through December 31, 2025.

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

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

MINUTES

December 7, 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. Annual Financial Audit Scope of Services and Processes – Neeraj Datta and Andy Paulden, Partners, Brown Armstrong
Consider and discuss annual audit processes
2. Audit Committee 2023 Audit Schedule – Neeraj Datta and Andy Paulden, Partners, Brown Armstrong
Review and discuss schedule of audit activities for 2023
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.

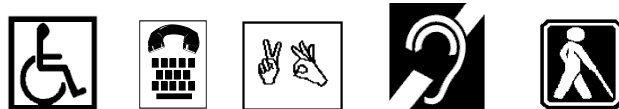
Note on Board Member requests to participate by teleconference under Government Code section 54953, subdiv. (f): At least a quorum of the Committee must be present together physically at the meeting to invoke this provision. The provision is limited to “just cause” and “emergency” circumstances, as follows:

“Just cause” is only: (1) a childcare or caregiving need of a child, parent, grandparent, grandchild, sibling, spouse or domestic partner that requires them to participate remotely; (2) a contagious illness that prevents a member from attending in person; (3) a need related to a physical or mental disability, as defined; or (4) travel while on official business of MCERA or another state or local agency. A Board member invoking “just cause” must provide a general description of the circumstances relating to their need to appear remotely at a given meeting, and it may not be invoked by a Board member for more than two meetings in a calendar year.

“Emergency circumstances” is only: “a physical or family medical emergency that prevents a member from attending in person.” The Board member invoking this provision must provide a general description of the basis for the request, which shall not require the member to disclose personal medical information. Unlike with “just cause,” the Board must by majority vote affirm that an “emergency circumstance” situation exists.

As to both of the above circumstances, the Board member “shall publicly disclose at the meeting before any action is taken whether any other individuals 18 years of age or older are present in the room at the remote location with the member and the general nature of the member’s relationship with any such individuals.” Also, the Board member “shall participate through both audio and visual technology,” and thus be both audible and visible to those attending. Finally, no Board member may invoke these teleconference rules for more than three consecutive months or 20 percent of the regular meetings of the Board.

Note on teleconference disruption that interrupts the live stream: In the event of a technological or similar disruption, and provided no Board/committee members are attending by teleconference, the meeting will continue in person.



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 June Committee meeting

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

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For consideration at June Committee meeting

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.

For consideration at June Committee meeting

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



Marin County Employees' Retirement Association

Scope of Services Presentation – Proposed Audit Plan to the Audit Committee for the Fiscal Year Ended June 30, 2023

Brown Armstrong Accountancy Corporation

4200 Truxtun Avenue, Suite 300, Bakersfield, CA 93309

Telephone: (661) 324-4971 Fax: (661) 324-4997 www.ba.cpa

Contact: Andrew J. Paulden, CPA | apaulden@ba.cpa

Neeraj Datta, CPA, CGMA | ndatta@ba.cpa



June 20th, 2023

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, 2023.

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,

Andrew J. Paulden, CPA
Managing/Quality Control Partner

Neeraj Datta, CPA, CGMA
Audit Engagement Partner

Brown Armstrong Accountancy Corporation

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Summary

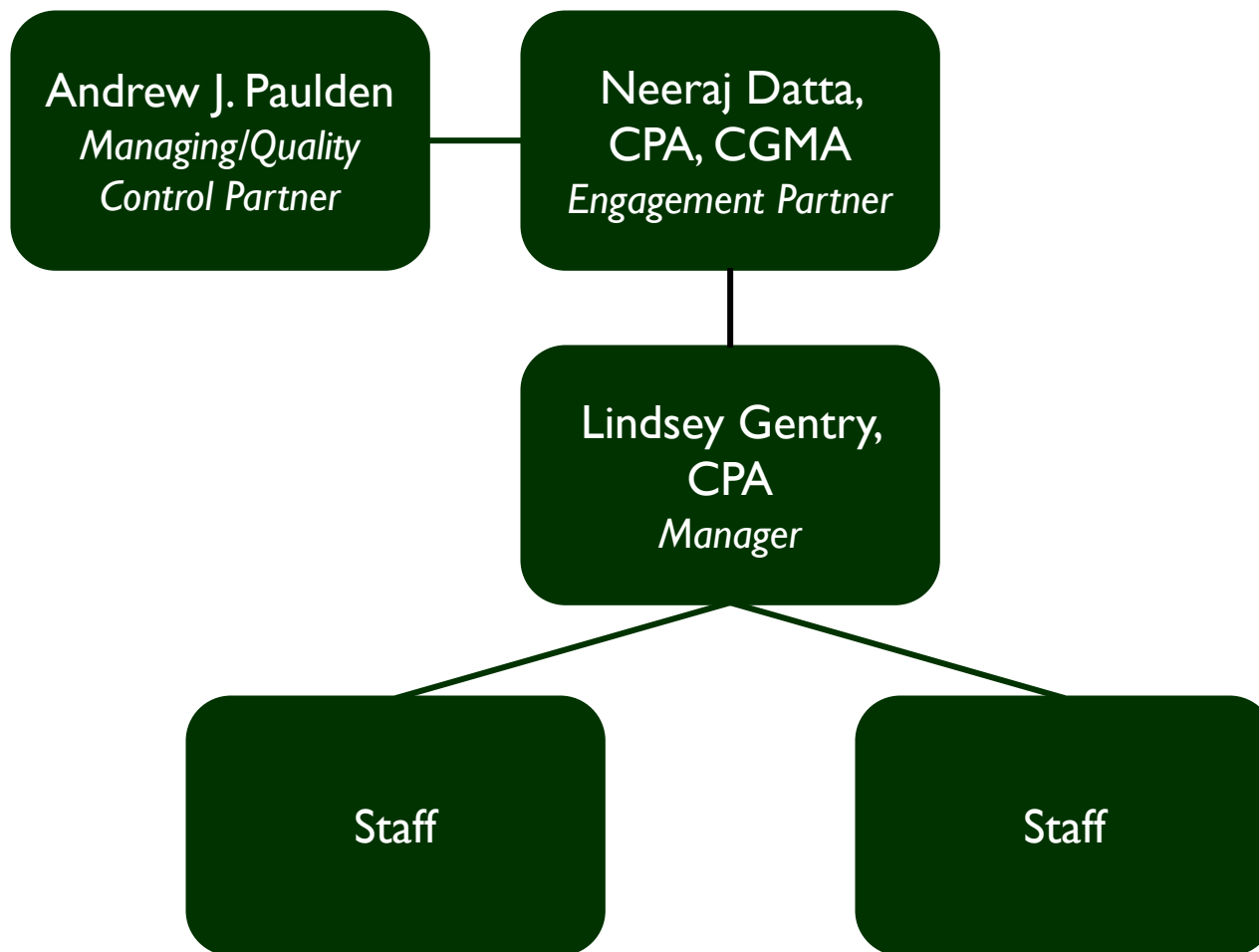
This presentation outlines our audit strategy and approach for the June 30, 2023 audit of MCERA and gives the Audit Committee the opportunity to review, discuss, and comment on our plan.

This presentation 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



2023 Audit Timeline/Critical Dates List

Item	Due Date
PLANNING:	
AUDITOR to provide MCERA with the Interim Information Request	Friday, July 14, 2023
MCERA to provide requested participant populations to AUDITOR	Friday, July 21, 2023
AUDITOR to provide participant samples to MCERA	Wednesday, July 26, 2023
MCERA to return Actuary and Employer Payroll confirmations to AUDITOR for mailing	Wednesday, August 2, 2023
MCERA to provide AUDITOR with March 31, 2023 Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	Monday, August 21, 2023
MCERA to provide updates to walkthroughs for significant transaction classes	Monday, August 21, 2023
AUDITOR to send out second requests for Actuary and Employer Payroll confirmations	Monday, August 21, 2023
INTERIM FIELDWORK:	
Beginning of Interim Fieldwork. Please have all interim information requested provided to us by this date in <u>electronic</u> format.	Monday, August 28, 2023
(Optional) Interim Exit Meeting with MCERA management	Friday, September 1, 2023
AUDITOR to provide MCERA with Year-End Information Request	Friday, September 1, 2023
Custodian, Investment Consultant, Investment Manager, Real Estate, Private Equity, Legal, and Securities Lending, Cash, and Contributions confirmations returned to AUDITOR for mailing	Friday, September 8, 2023

2023 Audit Timeline/Critical Dates List

(continued)

Item	Due Date
FINAL FIELDWORK PLANNING:	
Confirmation replies due to the AUDITOR for all confirmations	Monday, October 2, 2023
MCERA to provide 6/30/2023 Trial Balance in electronic format and draft of Statement of Fiduciary Net Position and Statement Changes to AUDITOR and Actuary	Monday, October 2, 2023
Beginning of final fieldwork set up at Brown Armstrong's offices. Please provide all final information requested provided to us by this date in <u>electronic</u> format.	Monday, October 9, 2023
FINAL FIELDWORK:	
Beginning of Final Fieldwork	Monday, October 16, 2023
AUDITOR to approve release of final values to the Actuary (REQUIRED)	Friday, October 20, 2023
AUDIT WRAP-UP & PRESENTATION:	
MCERA to provide AUDITOR with draft of financial statements, including MD&A and Notes	Friday, October 20, 2023
AUDITOR to provide suggested changes or revisions to financial statements	Friday, October 27, 2023
MCERA to provide AUDITOR with updated draft of financial statements	Friday, November 3, 2023
AUDITOR to provide suggested changes or revisions to financial statements	Friday, November 10, 2023
MCERA to provide AUDITOR with updated draft of financial statements	Friday, November 17, 2023

2023 Audit Timeline/Critical Dates List

(continued)

B.1 & B.2

Item	Due Date
AUDIT WRAP-UP & PRESENTATION (continued):	
AUDITOR to provide <u>drafts</u> of the following reports to MCERA:	Friday, November 17, 2023
Report on Compliance and Internal Control	
Audit Committee Report (SAS 114 Letter)	
Letter to Management	
MCERA to receive Draft Actuary GASB 67/68 Report	Monday, November 20, 2023
MCERA to provide comments on provided draft reports and responses to findings, if any	Wednesday, November 22, 2023
MCERA to provide AUDITOR with revisions to financial statements to include GASB 67/68	Wednesday, November 22, 2023
Legal confirmation responses due to AUDITOR	Friday, November 17, 2023
AUDITOR to provide suggested changes or revisions to financial statements with GASB 67/68	Monday, November 27, 2023
AUDITOR to complete Partner & Quality Control Reviews and provide suggested changes or revisions	Monday, November 27, 2023
AUDITOR presentation to MCERA Audit Committee	Wednesday, November 29, 2023
AUDITOR to provide <u>final</u> copies of the reports to MCERA	Friday, December 8, 2023
AUDITOR to provide 13 " hard copy packets" of the above reports for board meeting	Wednesday, December 13, 2023
MCERA Board of Retirement acceptance of Audit Reports	Wednesday, December 13, 2023

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, 2023. 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

B.1

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 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

B.1

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)

B.1

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

Reports Expected to be Issued

Government Auditing Standards			
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, 2023 Audit

B.1

Standard	Title	Effective Date	Year End Effective Date	Effect on MCERA?
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. 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. 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.

Future Accounting Pronouncements

Standard	Title	Effective Date	Year End Effective Date	Effect on SBCERA?
GASB Statement No 100	<i>Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62</i>	For fiscal years beginning after June 15, 2023	July 1, 2023 – June 30, 2024	This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. MCERA's potential impact upon implementation has not been determined.
GASB Statement No 101	<i>Compensated Absences</i>	For fiscal years beginning after December 15, 2023	July 1, 2024 – June 30, 2025	This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. 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, 2023 audit. Thank you!



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B.2 Audit Committee 2023 Audit Schedule

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

B.3 Future Meetings

This is a discussion with no backup.