

AGENDA

AUDIT COMMITTEE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

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

September 18, 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

June 20, 2023 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. Financial Audit Review – Interim Fieldwork Phase – Neeraj Datta and Andy Paulden, Partners, Brown Armstrong
Review and discuss interim fieldwork phase results.
2. 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.

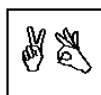
Note on Board Member requests to participate by teleconference under Government Code section 54953, subdiv. (f): At least a quorum of the Committee must be present together physically at the meeting to invoke this provision. The provision is limited to “just cause” and “emergency” circumstances, as follows:

“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 September Committee meeting

MINUTES

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

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

June 20, 2023 – 9:00 a.m.

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

CALL TO ORDER

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

ROLL CALL

PRESENT: Gladstern, Martinovich, Silberstein

ABSENT: None

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

No Board members requested to teleconference.

MINUTES

It was M/S Silberstein/Martinovich to approve the December 7, 2022 Audit Committee Meeting Minutes as submitted. The motion passed by a vote of 3-0 as follows:

AYES: Gladstern, Martinovich, Silberstein

NOES: None

ABSTAIN: None

ABSENT: None

A. OPEN TIME FOR PUBLIC EXPRESSION

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taken by the Board concerning a non-agenda item. Members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

No members of the public provided comment.

B. NEW BUSINESS

1. Annual Financial Audit Scope of Services and Processes – Neeraj Datta and Andy Paulden, Partners, Brown Armstrong
Consider and discuss annual audit processes

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

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

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

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

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

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

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

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

3. Future Meetings

Consider and discuss agenda items for future meetings

No discussion.

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

Maya Gladstern
Audit Committee Chair

Attest: Jeff Wickman
Retirement Administrator

MCERA

Interim Audit Status Update
September 18, 2023, 9:00 AM

- A. Status of Interim Information Request List Items-** All received on a timely basis as per the dates presented to this Audit Committee during June 20, 2023, meeting.
- B. Interim Fieldwork Progress**
1. **Test of Controls:**
 - i. **Active Participant Testing:** Complete
 - ii. **Retiree Participant Testing:** Complete
 2. **Walkthroughs of Significant audit areas:** Work-in-progress. Pending supporting documentation for Investments and Participant Data
 3. **SAS 99 Fraud Evaluation Procedures:**
 - i. **Fraud Interviews:** Complete
 - ii. **Fictitious Vendor Testing:** Complete
 - iii. **Online Research:** Complete
 - iv. **Board Members Review:** Complete
 4. **Information Technology Controls Review:** In Progress
 5. **Permanent File Update:** Complete
 6. **Board and Committee meetings Minutes Review:** Complete as of date.
- C. Discussion Items:**
1. **Observations/potential findings:** Nothing to report currently.
- D. Review of Critical Dates List –** On target. Reports are expected to be ready for the Audit Committee’s review during the next Audit Committee meeting of November 29, 2023.

B.2 Future Meetings

This is a discussion with no backup.