



# San Joaquin County Employees Retirement Association

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## A G E N D A

### AUDIT COMMITTEE MEETING SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION BOARD OF RETIREMENT FRIDAY, MARCH 11, 2022

#### IMMEDIATELY FOLLOWING BOARD MEETING

Location: SJCERA Board Room, 6 S. El Dorado Street, Suite 400, Stockton, California

In order to accommodate appropriate COVID-19 protocols and social distancing, no more than ten (10) members of the public will be allowed in the Board Room during the Committee Meeting. In accordance with current State mandates, appropriate face coverings are strongly recommended for all attendees.

The public may also attend the Board meeting live via Zoom by (1) clicking here <https://us02web.zoom.us/j/82904095998> and following the prompts to enter your name and email, or (2) calling (669) 219-2599 or (669) 900-9128 and entering Meeting ID [82904095998#](https://us02web.zoom.us/j/82904095998#).

Persons who require disability-related accommodations should contact SJCERA at (209) 468-9950 or [KendraF@sjcera.org](mailto:KendraF@sjcera.org) at least forty-eight (48) hours prior to the scheduled meeting time.

#### 1.0 ROLL CALL

#### 2.0 COMMENTS

##### 2.01 PUBLIC COMMENT

The public is welcome to address the Board during this time on matters within the Board's jurisdiction, following the steps listed below. Speakers are limited to three minutes, and are expected to be civil and courteous. Public comment on items listed on the agenda may be heard at this time, or when the item is called, at the discretion of the Chair.

If joining via Zoom, Public Comment can be made in the following ways:

PC or Mac: select "Participants" in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Mobile Device: select the "More" option in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Tablet: select the icon labeled "Participants," typically located at the top right of your screen, then select the hand icon next to your device in the Participants column.

If dialing in from a phone for audio only, dial \*9 to "raise your hand."

If attending in person, members of the public are encouraged to complete a Public Comment form, which can be found near the entry to the Board Room.

Except as otherwise permitted by the Ralph M. Brown Act (California Government Code Sections 54950 et seq.), no deliberation, discussion or action may be taken by the Board on items not listed on the agenda. Members of the Board may, but are not required to: (1) briefly respond to statements made or questions posed by persons addressing the Board; (2) ask a brief question for clarification; or (3) refer the matter to staff for further information.

**3.0 2021 AUDIT ENTRANCE CONFERENCE**

- 3.01** Scope of Services Presentation by Lindsey McGuire, CPA and Paul Sahota, CPA of Brown Armstrong Accountancy Corporation 3
- 3.02** Audit Engagement Letter dated January 21, 2022 from Brown Armstrong Accountancy Corporation for audit objectives and procedures 24
- 3.03** Committee to discuss and give direction to auditor and staff as appropriate

**4.0 COMMENTS**

- 4.01** Comments from the Committee Members

**5.0 NEXT MEETING OF THE AUDIT COMMITTEE**

- 5.01** TBD

**6.0 ADJOURNMENT**

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



**BROWN ARMSTRONG ACCOUNTANCY CORPORATION**

4200 Truxtun Ave., Ste. 300 Bakersfield, CA 93309 | 661.324.4971 | Fax 661.324.4997

www.ba.cpa | Contact: Lindsey Zimmerman, CPA | [lzimmerman@bacpas.com](mailto:lzimmerman@bacpas.com) Paul Sahota, CPA | [psahota@bacpas.com](mailto:psahota@bacpas.com)



**March 11, 2022**

**The Audit Committee  
San Joaquin County Employees' Retirement Association**

**We are pleased to have the opportunity to present to you our plan for the audit of San Joaquin County Employees' Retirement Association (SJCERA) for the year ended December 31, 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 SJCERA and the Audit Committee.**

**Sincerely,**

**Lindsey Zimmerman, CPA  
Partner**

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# SUMMARY

This presentation outlines our audit strategy and approach for the December 31, 2021 audit of SJCERA 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 strategy and focus areas.
- Plan for continuous, two-way communication and reporting to the Audit Committee and management.
- Management's responsibilities in relation to the audit.

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.

# OUR AUDIT OBJECTIVES

As the auditor for SJCERA, we are responsible for reporting on the financial statements of SJCERA for the year ended December 31, 2021. Our engagement is focused on delivering our services at three levels.

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

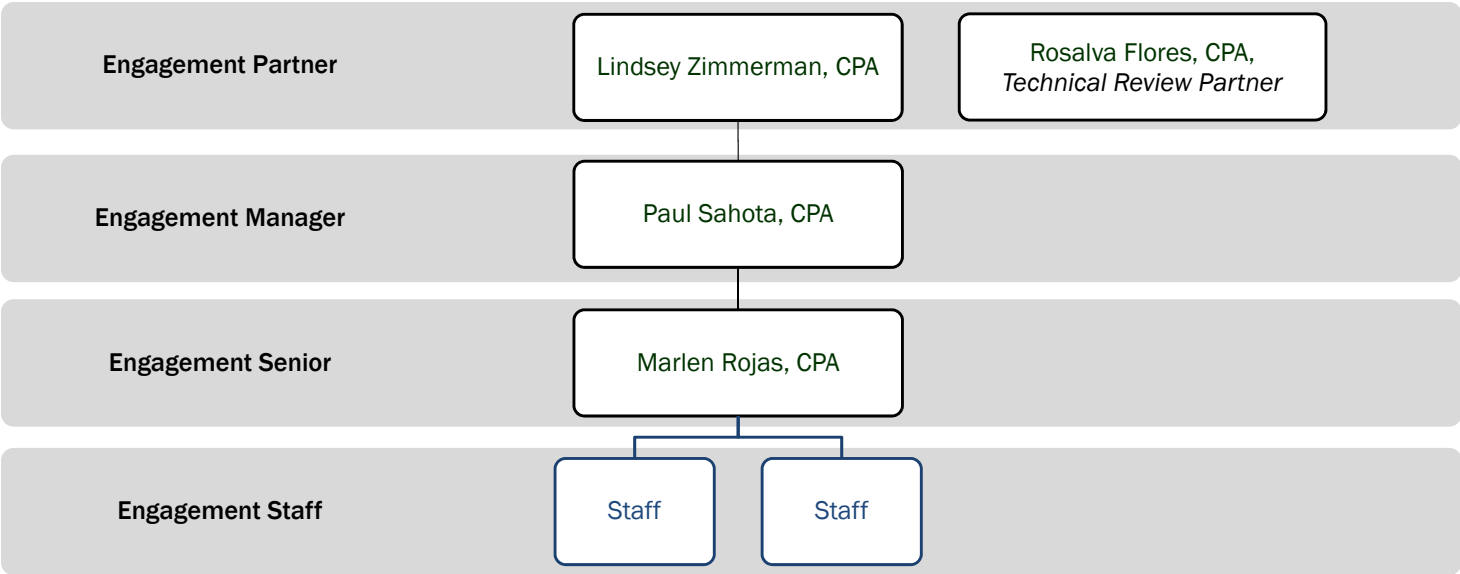
## OUR AUDIT OBJECTIVES (Continued)

Our primary objective is the expression of an opinion on SJCERA's financial statements and to consider SJCERA's 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.



# THE ENGAGEMENT TEAM



# AUDIT TIMELINE/CRITICAL DATES LIST

Item	Due Date
PLANNING	
Information request provided by AUDITORS	Tuesday, February 15, 2022
Active and Retired Participant Populations provided to AUDITOR	Tuesday, March 1, 2022
IT Survey responses due to Auditor	Tuesday, March 1, 2022
AUDITOR to provide SJCERA staff with sample selection for active and retiree confirmations	Thursday, March 3, 2022
SJCERA staff available for walkthroughs and SAS 99 meetings	Week of March 7, 2022
All Confirmations returned to AUDITOR for mailing	Friday, March 11, 2022
Audit Entrance Conference (Audit Partner, SJCERA Audit Committee, and SJCERA staff)	Friday, March 11, 2022 ~12PM
AUDITOR to send 2 <sup>nd</sup> Requests for participants and employer	Friday, March 25, 2022

# AUDIT TIMELINE/CRITICAL DATES LIST (Continued)

Items	Due Date
<b>INTERIM FIELDWORK</b>	
Items on Interim Fieldwork Information Request Lists due	Monday, April 4, 2022
Beginning of interim audit fieldwork	Monday, April 11, 2022
Completion of interim audit fieldwork and close out meeting with Management	Friday, April 15, 2022
Items on Final Fieldwork Information Request Lists due for AUDITOR set up from office	Monday, April 18, 2022
<b>FINAL FIELDWORK PLANNING</b>	
SJCERA to provide draft 12/31/21 trial balance and Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position to AUDITOR and Actuary	Monday, April 25, 2022
Beginning of final fieldwork	Monday, April 25, 2022
SJCERA to provide remaining items on Information Request List not provided 4/18/22	Monday, April 25, 2022

# AUDIT TIMELINE/CRITICAL DATES LIST (Continued)

Items	Due Date
Expected completion date of fieldwork and approval of draft financial statements	Friday, April 29, 2022
SJCERA to provide completed Legal Letter Confirmations via email to AUDITOR for mailing	Friday, April 29, 2022
Audit status meeting conference call with SJCERA management	Friday, April 29, 2022
<b>AUDIT WRAP-UP AND FINAL REPORTS</b>	
AUDITOR to provide SJCERA with draft of financial statements and note disclosures	Friday, May 6, 2022
AUDITOR to provide SJCERA management with the following reports in draft format (forward to Audit Committee): - Independent Auditor's Report in draft format - Agreed Upon Conditions Report - SAS 114 Report - Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters	Friday, May 6, 2022
SJCERA to provide input/edits to AUDITOR on initial draft of financial statements and reports without GASB 67/68	Friday, May 6, 2022
SJCERA to provide AUDITOR with the draft GASB 67/68 Actuary report	Friday, May 6, 2022
Expected completion date of fieldwork and approval of draft financial statements	Friday, April 29, 2022

# AUDIT TIMELINE/CRITICAL DATES LIST (Continued)

Items	Due Date
AUDITOR to provide DRAFT Audit Reports to SJCERA for disbursement to Audit Committee	Friday, May 13, 2022
SJCERA to provide DRAFT courtesy copy of report to County Auditor-Controller	Friday, May 13, 2022
County Auditor-Controller to provide questions/concerns to SJCERA	Wednesday, May 18, 2022
Audit Exit Conference (SJCERA Audit Committee, Staff, and Brown Armstrong)	Thursday, May 19, 2022 Time TBD
Final Review (edits/clean-up)	Friday, May 20, 2022
AUDITOR to provide DRAFT Audit Reports to SJCERA with any additional revisions following Exit Conference	Friday, May 20, 2022
AUDITOR to provide SJCERA management with the Independent Auditor's Report in final format	Tuesday, May 24, 2022
AUDITOR to provide SJCERA management with the following reports in final format: - Agreed Upon Conditions Report - SAS 114 Report - Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters	Tuesday, May 24, 2022

# AUDIT TIMELINE/CRITICAL DATES LIST (Continued)

Items	Due Date
AUDITOR to provide DRAFT Audit Reports to SJCERA for disbursement to Audit Committee	Friday, May 13, 2022
Copy of Financial Statements and Board of Supervisors Packet to County Administrator to provide the draft to County Auditor Controller office	Wednesday, May 25, 2022
SJCERA Board of Retirement Acceptance of final reports	Friday, June 3, 2022
SJCERA Management report to Board of Supervisors for accepting and filing of reports	Tuesday, June 7, 2022
Copy of Financial Statements and Board of Supervisors Packet to County Administrator to provide the draft to County Auditor Controller office	Wednesday, May 25, 2022
SJCERA Board of Retirement Acceptance of final reports	Friday, June 3, 2022
SJCERA Management report to Board of Supervisors for accepting and filing of reports	Tuesday, June 7, 2022
Copy of Financial Statements and Board of Supervisors Packet to County Administrator to provide the draft to County Auditor Controller office	Wednesday, May 25, 2022
SJCERA Board of Retirement Acceptance of final reports	Friday, June 3, 2022

# AUDIT STRATEGY

Phase I	Phase II	Phase III	Phase IV
Audit 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	Perform review of CAFR and related disclosure checklists
Perform preliminary analytical review	Evaluate design and implementation of selected controls	Conclude on critical accounting matters	Obtain legal confirmations
Develop the audit plan	Test controls over financial reporting and participant data	Test valuations of fair value investments	Draft reports to be issued
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	Draft and obtain signed management representation 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	Issue auditor's reports and management letter
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 Committee meeting; Presentation of Audit and Compliance Reports

# AUDIT AREAS OF FOCUS

## Significant Risk Areas

## Brown Armstrong's Response

Revenue Recognition

- Test of controls over contribution amounts as part of participant data
- Perform confirmations with third parties
- Other substantive analytics to be performed

Management override of controls

- Obtain an understanding of controls over journal entries and test a sample of individual journal entries
- Inquiries will be performed with individual(s) involved in the financial reporting process, and a review ensuring no inappropriate or unusual activity was noted relating to journal entry processing
- Perform walkthroughs of significant audit areas to review adequate segregation of duties



# AUDIT AREAS OF FOCUS (Continued)

## Significant Risk Areas

## Brown Armstrong's Response

Investments and related earnings

- Walkthrough of controls
- High level analytics review of investment income
- Confirmations 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

- Walkthrough and test of controls
- Testing of participant data, including active and terminated members, and employer payroll
  - Confirmation with individual participants, actuary, and employers
- GASB Statement No. 67
  - Money-weighted return
  - Required Supplementary Information (RSI) and Other Information schedules

# AUDIT AREAS OF FOCUS (Continued)

## Significant Risk Areas

## Brown Armstrong's Response

Employer and employee contributions

- Walkthrough and test of controls
- Confirmation with employers
- High level analytics

Benefit payments

- Walkthrough and test of controls
- Testing of benefit payments
- High level analytics

# PROPOSED CHANGES IN THE AUDIT PLAN

- ❖ Walkthroughs of other significant areas since there were changes in management staff
- ❖ Wire Transfer testing

# REPORTS EXPECTED TO BE ISSUED

←		<i>Government Auditing Standards</i>	→	
Generally Accepted Auditing Standards				
Independent Auditor's Report (Opinion) on Financial Statements	Required Communication to the Retirement Board and Audit Committee in Accordance with Professional Standards (SAS 114)	Report on SJCERA's Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Report on Agreed Upon Conditions Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting (Management Letter)	

# IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS APPLICABLE FOR THE DECEMBER 31, 2021 AUDIT

Standard	Title	Effective Date	Year End Effective Date	Effect on SJCERA
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	2021	The statement will not apply as SJCERA does not account or report construction.
GASB Statement No. 93	<i>Replacement of Interbank Offered Rates</i>	Fiscal years beginning after June 15, 2020	2021	The statement will not apply as SJCERA does not have interbank offered rates.
GASB Statement No. 94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	Fiscal years beginning after June 15, 2020	2021	This statement will not apply to SJCERA as it does not have these types of payment arrangements.
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	2021	The statement will not apply as SJCERA does not account or report construction.

# IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS APPLICABLE FOR THE DECEMBER 31, 2021 AUDIT (Continued)

Standard	Title	Effective Date	Year End Effective Date	Effect on SJCERA
GASB Statement No. 97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32</i>	Paragraphs 4 and 5 effective immediately; paragraphs 6-9 effective fiscal years beginning after June 15, 2021; all others effective fiscal years beginning after June 15, 2021	2021 and 2022	The statement will not apply as SJCERA does not have component units or a 457 DC Plan.
GASB Statement No. 87	<i>Leases</i>	Fiscal years beginning after June 15, 2021	2022	TBD

# THANK YOU! QUESTIONS?



**Lindsey Zimmerman, CPA**  
Partner

Brown Armstrong Accountancy  
Corporation  
4200 Truxtun Ave., Suite 300  
Bakersfield, CA 93309  
☎ (661) 324-4971  
✉ [lzimmerman@bacpas.com](mailto:lzimmerman@bacpas.com)



**Paul Sahota, CPA**  
Manager

Brown Armstrong Accountancy  
Corporation  
10 River Park Place East, Suite 208  
Fresno, CA 93720  
☎ (559) 476-3592  
✉ [psahota@bacpas.com](mailto:psahota@bacpas.com)

January 21, 2022

Board of Retirement  
c/o Mr. Michael Duffy, Audit Committee Chair, and  
Ms. Johanna Shick, Chief Executive Officer  
San Joaquin County Employees' Retirement Association  
6 South El Dorado Street, Suite 400  
Stockton, California 95202

Dear Board of Retirement, Mr. Duffy, and Ms. Shick:

We are pleased to confirm our understanding of the services we are to provide the San Joaquin County Employees' Retirement Association (SJCERA) for the year ended December 31, 2021.

### **Audit Scope and Objectives**

We will audit the financial statements of SJCERA and the disclosures, which collectively comprise the basic financial statements of SJCERA as of and for the year ended December 31, 2021. Accounting principles generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement SJCERA's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to SJCERA's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Changes in Net Pension Liability and Related Ratios
- 3) Schedule of Contributions from the Employers and Other Contributing Sources – Defined Benefit Pension Plan
- 4) Schedule of Investment Returns

We have also been engaged to report on other supplementary information other than RSI that accompanies SJCERA's financial statements for the Annual Comprehensive Financial Report (ACFR). We will subject the following other supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such



Board of Retirement  
c/o Mr. Michael Duffy, Audit Committee Chair, and  
Ms. Johanna Shick, Chief Executive Officer  
San Joaquin County Employees' Retirement Association  
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information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole:

- 1) Schedule of Administrative Expenses
- 2) Schedule of Investment Expenses
- 3) Schedule of Payments of Consultants

Additionally, we have been engaged to audit the other information that accompanies SJCERA's financial statements for the ACFR as described:

- 1) Schedule of Cost Sharing Employer Allocations
- 2) Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan

The following additional information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that additional information.

- 1) Introductory Section
- 2) Investment Section
- 3) Actuarial Section
- 4) Statistical Section

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

*Government Auditing Standards* require that we communicate, during the planning stage of an audit, certain information to officials of the audited entity and certain other parties. That information follows.

Board of Retirement  
c/o Mr. Michael Duffy, Audit Committee Chair, and  
Ms. Johanna Shick, Chief Executive Officer  
San Joaquin County Employees' Retirement Association  
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We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records of SJCERA and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to SJCERA or to acts by management or employees acting on behalf of SJCERA. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SJCERA's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risk of material misstatement as part of our audit planning:

1. Improper revenue recognition due to error or fraud
2. Management override of controls

Board of Retirement  
c/o Mr. Michael Duffy, Audit Committee Chair, and  
Ms. Johanna Shick, Chief Executive Officer  
San Joaquin County Employees' Retirement Association  
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We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

#### **Audit Procedures—Internal Control**

We will obtain an understanding of SJCERA and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under American Institute of Certified Public Accountants (AICPA) professional standards and *Government Auditing Standards*.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of SJCERA's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

In addition, we will perform certain procedures directed at considering SJCERA's compliance with applicable Internal Revenue Service (IRS) requirements for tax exempt status. However, you should understand that our audit is not specifically designed for and should not be relied upon to disclose matters affecting plan qualifications or compliance IRS requirements. If during the audit we become aware of any instances of any such matters or ways in which management practices can be improved, we will communicate them to you.

Board of Retirement  
c/o Mr. Michael Duffy, Audit Committee Chair, and  
Ms. Johanna Shick, Chief Executive Officer  
San Joaquin County Employees' Retirement Association  
January 21, 2022  
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## **Other Services**

We will also assist in preparing the financial statements and related notes of SJCERA in conformity with GAAP based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **Responsibilities of Management for the Financial Statements**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with GAAP, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within SJCERA from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting SJCERA involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting SJCERA received in communications from

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employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that SJCERA complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You are required to disclose in the financial statements the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. You agree that you will not date the subsequent event note earlier than the date of the management representation letter.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to publishing the financial statements on your website, you understand that websites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information on the website with the original document.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

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In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

### **Engagement Administration, Fees, and Other**

We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, preparing confirmations, and will locate any documents selected by us for testing. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

We will provide copies of our reports SJCERA; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Brown Armstrong Accountancy Corporation and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Cognizant Agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brown Armstrong Accountancy Corporation personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Cognizant Agency. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Lindsey McGuire is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. To ensure that Brown Armstrong Accountancy Corporation's independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel. We expect to begin our audit on approximately March 7, 2022, and to issue our reports no later than May 31, 2022.

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Our fee for services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$60,670. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resume until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

All disputes under this agreement shall be submitted to mediation. Each party shall designate an executive officer empowered to attempt to resolve the dispute. Should the designated representatives be unable to agree on a resolution, a competent and impartial third party acceptable to both parties shall be appointed to mediate. Each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. In the event that the dispute is required to be litigated, the court shall be authorized to assess litigation costs against any party found not to have participated in the mediation process in good faith.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

## **Reporting**

We will issue a written report upon completion of our audit of SJCERA's financial statements. Our report will be addressed the members of the Board of Retirement and Audit Committee of SJCERA. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will

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state (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of SJCERA's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SJCERA's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that SCJERA is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to SJCERA and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period when requested. Accordingly, our 2019 peer review report accompanies this letter.

Sincerely,

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



By: Lindsey McGuire

LBM:jav

Enclosure

Pfx Engagement/73960Audit 12/31/2021PSR-02-2Audit Engagement Letter Yellow Book - DRAFT

**RESPONSE:**

This letter correctly sets forth the understanding of SJCERA.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Governance signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



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## REPORT ON FIRM'S SYSTEM OF QUALITY CONTROL

June 27, 2019

To the Shareholders of  
Brown Armstrong Accountancy Corporation  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended October 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### **Firm's Responsibility**

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### **Peer Reviewer's Responsibility**

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

## **Required Selections and Considerations**

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

## **Opinion**

In our opinion, the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended October 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Brown Armstrong Accountancy Corporation has received a peer review rating of *pass*.

*Watson Coon Ryan, LLC*

Watson Coon Ryan, LLC