

Board of Trustees

1000 Mill Street
San Luis Obispo, CA 93408
Phone: (805) 781-5465
Fax: (805) 781-5697
www.SLOPensionTrust.org



AGENDA

Audit Committee

Wednesday, February 14, 2024

10:30am

SLOCPT Office
1000 Mill Street
San Luis Obispo, CA

MEETING MATERIALS

Materials for the meeting may be found at

<https://www.slocounty.ca.gov/Departments/Pension-Trust/Board-of-Trustees-Meetings.aspx>

AMERICANS WITH DISABILITIES ACT (Government Code §54953.2)

Disabled individuals who need special assistance to listen to and/or participate in any meeting of the Board of Trustees may request assistance by calling 805/781-5465 or sending an email to SLOCPT@co.slo.ca.us.

PUBLIC COMMENT:

1. Members of the public wishing to address the Committee on matters other than scheduled items may do so when recognized by the chairman. Presentations are limited to three minutes per individual.

CONSENT:

2. Minutes of the Meeting of August 22, 2023. (Approve without correction).

OPERATIONS:

3. Audit Committee Entrance Presentation by Brown Armstrong Accountancy Corporation.

ADJOURNMENT

Board of Trustees

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**MINUTES –
Audit Committee of the
Board of Trustees**

Tuesday, August 22, 2023 2:00pm
SLOCPT Office
1000 Mill Street
San Luis Obispo, CA

Present:

Audit Committee

Gere Sibbach
Lisa Howe
Geoff O’Quest

SLOCPT Trust Staff

Carl Nelson Executive Director
Amy Burke Deputy Director
Jennifer Alderete Accountant

General Counsel
(via phone)

Chris Waddell Olson | Remcho

Call to Order: 2:03 PM

Public Comment:

- 1. None

Consent:

- 2. Minutes of the Meeting of May 24, 2023 Audit Committee meeting. (Approve without correction).

Motion: Approve Minutes

Public Comment: None

Motion Made: O’Quest

Motion Seconded: Sibbach

Carried: Unanimous

Operations:

3. Financial Audit Services – Five Year Assessment

Discussion: Deputy Director Burke presented the agenda item for Committee review. SLOCPT has retained Brown Armstrong for annual financial statement audit services since 2004, with appropriate partner rotations. Committee members discussed various scenarios, including the issuance of an RFP and requesting another five-year engagement renewal with Brown Armstrong. Due to the upcoming change in the Executive Director position, the Committee decided a three-year engagement renewal with Brown Armstrong would be recommended to the full Board.

Public Comment: None

Motion: Direct Staff to negotiate a three-year engagement renewal with Brown Armstrong for annual financial audit services.

Motion Made: Sibbach

Motion Seconded: Howe

Carried: Unanimous

Adjournment: 2:36 PM

Signed,

Carl Nelson
Executive Director

SCOPE OF SERVICES FOR SLOCPT'S FINANCIAL STATEMENT AUDIT

**for the Fiscal Year Ended
December 31, 2023**



BROWN ARMSTRONG ACCOUNTANCY CORPORATION
4200 Truxtun Avenue, Ste. 300, Bakersfield California, 93309
T: 661-324-4971 | F: 661-324-4997 | www.ba.cpa

Contacts: Lindsey Zimmerman, CPA | lzimmerman@ba.cpa
Alaina Vandermade | avandermade@ba.cpa

February 15, 2024

Audit Committee
San Luis Obispo County Pension Trust
1000 Mill Street
San Luis Obispo, California 93408

We are pleased to have the opportunity to discuss the scope of services and provide an open and continuous two-way communication and reporting to management regarding the audit of the San Luis Obispo County Pension Trust (SLOCPT) financial statements for the fiscal year ended December 31, 2023.

We look forward to presenting and addressing your questions.

Sincerely,
Lindsey Zimmerman, CPA
Partner

Alaina Vandermade, CPA
Manager

BROWN ARMSTRONG ACCOUNTANCY CORPORATION

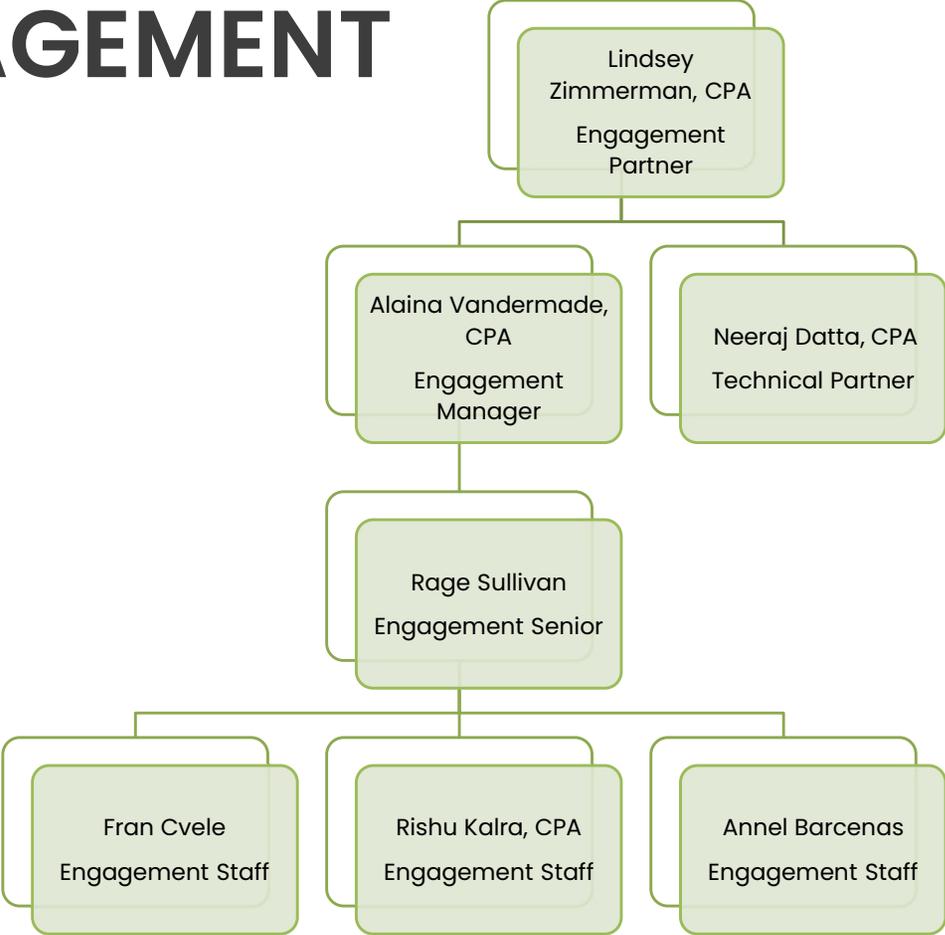


AGENDA

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THE ENGAGEMENT TEAM



AUDIT OBJECTIVES

As the auditor for SLOCPT, we are responsible for reporting on the financial statements of SLOCPT for the year ended December 31, 2023. Our engagement is focused on delivering our services at three levels.

For the public and SLOCPT	Independent opinions and reports that provide assurance on the financial information released by SLOCPT.
For the Audit Committee/ Board	Assistance in discharging its corporate governance compliance 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 SLOCPT's financial statements 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 RESPONSIBILITIES

BROWN ARMSTRONG	SLOCPT MANAGEMENT
Plan audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards applicable to financial audits contained in <i>Government Auditing Standards</i>	Close books and financial records in accordance with generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board statements (GASBs)
Provide list of items needed	Provide requested items
Review policies and procedures, internal control documentation and testing, test fraud risks, perform procedures on significant areas of financial statements	Provide responses to auditor inquiries
Provide any audit adjustments and recommendations for management	Complete all sections of the Annual Comprehensive Financial Report (ACFR)
Provide management with comments on the ACFR and draft audit reports	Incorporate recommended audit adjustments and edits to ACFR, as necessary
Jointly present the draft results of the financial audit to the Audit Committee and Board of Retirement	
Issue Audit Opinion and Other Audit Reports	Publish final ACFR document and submit for GFOA Award in Financial Reporting



AUDIT TIMELINE & CRITICAL DATES

- Interim & Year-End Week of Fieldwork – April 8, 2024
 - Remote Testing of Internal Controls
 - Walkthroughs and Understanding of Key Accounting Areas
 - Update Minutes and Agreements
 - Substantiate all Accounts and Balances
 - Review Confirmation Responses
- ACFR Review and Draft Reports – May and June 2024
- Audit Opinion to be Issued – June 24, 2024



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	Plan and perform substantive audit procedures	Perform completion procedures
Perform risk assessment procedures	Perform SAS 99 (fraud evaluation) procedures	Conduct final analytical review	Draft internal control and management letter comments
Determine planning materiality	Identify internal control strengths and weaknesses	Consider audit evidence sufficiency	Draft audit opinion and other reports
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 administration		Conduct exit conference with management, including discussion of proposed audit adjustments, internal control and compliance findings, and management letter recommendations, if any
Identify significant audit areas	Understand accounting and reporting activities		Draft and obtain signed management representation letter
Determine nature and extent of audit procedures	Reevaluate the progress of the audit and make any changes on audit approach and procedures, if necessary		Issue auditor's report, report on internal control, SAS 114 letter and management letter
Confirmation of account balances			Audit Committee meeting; presentation of audit results and discussion of all reports



AUDIT AREAS OF FOCUS

SIGNIFICANT RISK AREA	BROWN ARMSTRONG'S RESPONSE
Revenue recognition	<ul style="list-style-type: none">• Test of controls over contribution amounts as part of participant data• Confirm with third parties• Other substantive analytics
Management override of controls	<ul style="list-style-type: none">• Obtain an understanding of controls over journal entries and test a sample of individual journal entries• Inquire with individual(s) involved in the financial reporting process, and ensure there is 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)

SIGNIFICANT AUDIT AREA	BROWN ARMSTRONG'S RESPONSE
Investments and related earnings	<ul style="list-style-type: none"> • Walkthrough of controls • High level analytics on investment income • Confirm with custodian, investment manager, and consultant • Review GASB Statement No. 72 valuation inputs and test level determinations • Obtain audited financial statements and SOC reports
Employer and employee contributions	<ul style="list-style-type: none"> • Walkthrough and test of controls • Testing of contributions • High level analytics



AUDIT AREAS OF FOCUS (CONTINUED)

SIGNIFICANT AUDIT AREA	BROWN ARMSTRONG'S RESPONSE
Participant data and actuary	<ul style="list-style-type: none"> • Walkthrough and test of controls • Testing of participant data, including active and terminated members, and employer payroll <ul style="list-style-type: none"> ◦ Confirm with actuary, employers, and sample of participants • GASB Statements No. 67 <ul style="list-style-type: none"> ◦ Money-weighted return ◦ RSI and other information schedules
Benefit payments	<ul style="list-style-type: none"> • Walkthrough and test of controls • Testing of benefit payments • High level analytics



SIGNIFICANT CHANGES FROM PRIOR YEAR

- Inquiries about new Retirement Administrator, Katie Girardi
- Analysis of new investment funds
- Surprise test to be performed during week of fieldwork

operations			
payments, days or less, net	0	(1,000)	544
	208	660	(2,976)
	(1,042)	(5,052)	(3,024)
	(1,683)	(1,363)	(5,382)
	(2,513)	(6,751)	
	(498)	(491)	(93)
and purchases of other assets	(8,627)	(69)	(9,716)
investments	(10,047)	(5,896)	(21,943)
investments	6,061	1,836	
investments	7,835	2,603	
investments	(292)	447	
investments	(5,568)	(1,570)	
equivalents, end of	\$ 10,610	\$ 4,023	

REPORTS EXPECTED TO BE ISSUED

REPORT

Report on Financial Statements (Opinion)

Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114)

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Report on Agreed Upon Conditions Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting (Management Letter), if applicable



IMPLEMENTATION OF NEW ACCOUNTING PROUNCEMENTS APPLICABLE FOR THE DECEMBER 31, 2023 AUDIT

Standard	Title	Effective Date	December 31 Year End Effective Date	Effect on SLOCPT
GASB Statement No. 96	<i>Subscription-Based Information Technology Arrangements (SBITAs)</i>	Fiscal years beginning after June 15, 2022	2023	Requires the recognition of certain assets and liabilities for SBITAs that were previously classified as operating expenses based on the payment provisions of the arrangement. Likely to be immaterial to financial statements.



RECENTLY RELEASED ACCOUNTING PRONOUNCEMENTS APPLICABLE TO FUTURE YEARS

Standard	Title	Effective Date	December 31 Year End Effective Date	Effect on SLOCPT
GASB Statement No. 100	<i>Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62</i>	Fiscal years beginning after June 15, 2023	2024	SLOCPT to determine effect.
GASB Statement No. 101	<i>Compensated Absences</i>	Fiscal years beginning after December 15, 2023	2024	Not applicable/material.
GASB Statement No. 102	<i>Certain Risk Disclosures</i>	Fiscal years beginning after June 15, 2024	2025	SLOCPT to determine effect.



THANK YOU! QUESTIONS?



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