

Clarifying Questions and SCERA Responses

1. What are some things you would like to see improved in the financial audit process compared to previous years?
SCERA would like to see audit firm staff be properly advised on CERL and PEPR regulations and review prior workpapers before beginning the audit to be as efficient as possible.
2. Was there a *Communications to Those Charged with Governance* report or letter issued in prior years' audits? If so, could you please provide an example?
The prior year auditor prepared:
 - *Communication at the Conclusion of an Audit to the Audit Committee and Board of Retirement in Accordance with Professional Standards (SAS 114), and*
 - *Internal Control Over Financial Reporting and on Compliance on Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.*
 - *An example is attached as Question 2 - Sample Reports Issued_Redacted.pdf*
3. Were there any management letters issued in prior years' audits? If so, could you please provide an example?
Only the Independent Auditors Report and the reports noted in #2 above were issued for the 12/31/2021 and 12/31/2022 audits.
4. Were there any uncorrected misstatements in prior years' audits?
In the 12/31/2021 financial statement audit, there were uncorrected misstatements resulting from the cut-off procedure for financial statement reporting and timing of the actuarial valuation and GASB 67 reporting as it related to fair value of certain real asset and limited partnership investments classified as GASB 72, fair value Level 3. The result of the uncorrected misstatements represented 0.2% increase in SCERA's net position.
5. Section II item D discusses SCERA's existing systems applications. Are there any plans to implement a new pension administration system or general ledger system during the contract period?
SCERA expects to implement a new financial accounting system during the contract period.
6. Section V discusses the reports to be issued. Do the professional auditing services requested include an audit Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, in accordance with GASB 68?
SCERA requests the audit firm prepare a separate bid to express an opinion whether SCERA's GASB 68: Schedule of Employer Allocations, and the total for all entities and agencies of the columns entitled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in SCERA's Schedule of Pension Amounts by Employer are Fairly

presented, in all material respects, in conformity with auditing standards generally accepted in the United States.

7. Section V discusses the reports to be issued. Specifically, the reports to be issued and their due date in item E:

- a. When did the prior audit firm typically perform their interim fieldwork and for how many weeks?

Interim fieldwork was performed in late February for 1 week (typically onsite). Depending on the firm's audit plan, certain aspects of interim fieldwork could be moved up (i.e. testing of internal controls/walkthroughs, fraud interviews, etc.). The prior audit firm did not spend all of this week onsite at SCERA.

When did they perform their final fieldwork and for how long?

Final fieldwork was performed in late March for 1 week (conducted virtually in most recent years).

- b. How many hours did the prior year auditor spend on the audits of the financial statements?

The prior year auditor did not provide a breakdown of hours spent on the audit of the financial statements.

- c. How many staff personnel and for how many weeks did the prior year audit firm have working on the audits of the financial statements?

The prior year audit firm typically had 2-3 staff personnel assigned to our engagement, but unsure of their time actually spent on the engagement.

- d. What were the prior year's fees for the audits of the financial statements?

The audit fees for the 12/31/2022 financial statement audit totaled \$61,026.

The GASB 68 fees for the 12/31/2022 audit report totaled \$10,000.

- e. When are records (i.e. preliminary trial balance etc.) typically available for audit?

Preliminary 12/31 trail balance can be ready around mid-March with final trail balance by late March.

- f. How many employers were selected on an annual basis for member census data testing?

Sample testing encompasses a number of members from all 3 employers.

What were the sample sizes for each employer selected?

For the 12/31/2022 audit, the participant sample sizes were:

County – 30 + 3 alternates

Courts – 5 + 1 alternate

SVFD – 5 + 1 alternate

8. Section VII discusses entrance/exit conferences and status meetings. Were any part of the prior year audits/meetings performed remotely?

The 12/31/2022 audit entrance and exit conferences with SCERA's Finance & Retiree Services Manager were conducted virtually.

Due to the availability of the prior audit firm's personnel related to the 12/31/2022 audit, the presentation of the Audit Plan to the Audit Committee in October 2022 and presentation of the completed audit to the Audit Committee in June 2023 were conducted virtually.

Is SCERA open to remote or hybrid audits/meetings in the future?

SCERA is open to a hybrid audit approach when it comes to fieldwork and meeting presentations. We appreciate fraud interviews and test of internal controls/walkthroughs to be done in person as this can help bridge the gap in the understanding of important topics, especially in the first years with a new audit engagement.

SCERA would like to see one of the Audit Committee presentations done in person to build the relationship with our Audit Committee.

9. Section III discusses to the On-Site Audit Supervisor. What is the expectation of SCERA for auditors to be on-site?

SCERA is open to a hybrid audit approach when it comes to fieldwork and meeting presentations. We appreciate fraud interviews and test of internal controls/walkthroughs to be done in person as this can help bridge the gap in the understanding of important topics, especially in the first years with a new audit engagement.

SCERA's expectation is that auditor personnel onsite are appropriately trained to work through fundamental aspects related to the audit, pension accounting, CERL/PEPRA regulations, and SCERA specifics, or have resources available remotely or onsite. We are happy to provide and clarify information but will not be responsible for training audit staff on audit fundamentals during the audit.

10. Section IX discusses the general conditions of submission. Are we able to mark any information as confidential?

Yes, you may mark certain information within or accompanying your proposal as "CONFIDENTIAL", but your entire proposal may not be deemed "CONFIDENTIAL". Please identify the nature of the confidentiality (i.e.- exempt from Public Records Request Act (Act) disclosure due to..). If SCERA does not believe the portions marked "CONFIDENTIAL" are exempt from disclosure under the Act, SCERA will provide Bidder with Notice of determination. Bidders are advised that SCERA does not wish to receive confidential or proprietary information and that Bidders are not to supply such information except when it is absolutely necessary.

11. Section X discusses the proposal contents. Specifically relating to the partner, supervisory, and staff qualifications and experience under item 4.e., can you please clarify if you are looking for total continuing professional education hours for the past two years for the firm as a whole or for the proposed engagement team members?

Please submit continued professional education (CPE) for the past two years for all partners, supervisory, and **audit staff that will be assigned to SCERA's audit.**

An example of requested information would include all information provided to the California Board of Accountancy (CBA) for Certified Public Accountant (CPA) license renewal (see picture of column headers below). If additional relevant CPE was taken, but not eligible for consideration by the CBA, please include and note as such.

Course Title	Subject Area	Date Completed	Hours Claimed	1st or 2nd Year	Name of Provider	Presentation Method
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12. Historically, how many members of the audit team were onsite?

The prior year audit firm typically had 2-3 staff personnel assigned to our engagement and these staff would be onsite for the interim fieldwork.

13. What was the typical timing of the fieldwork for interim and final?

Interim fieldwork was performed in late February for 1 week (typically onsite).
Final fieldwork was performed in late March for 1 week (typically virtually).

14. What were the fees for the years ended December 31, 2022 and 2021?

The audit fees for the financial statement audit totaled \$61,026 for the year ended 12/31/2022 and \$61,085 for the year ended 12/31/2021.

The GASB 68 audit fees for the 12/31/2022 and 12/31/2021 audit reports were \$10,000, respectively.

15. Were any additional fees billed by the prior audit firm for services not included in the current RFP?

Only fees for the financial statement audit and GASB 68 were billed by the prior audit firm.

16. Will your prior auditor be allowed to bid?

Yes, all audit firms will be allowed to bid.

17. Is there anything specific that you are looking for with the successor auditors?

We are looking for an audit firm that has staff and management who have considerable knowledgeable and experience in government and pension accounting and auditing, 1937 Act CERL and PEPRAs regulations, GASB standards and implementation, and a willingness to work with SCERA to make our organization and financial reporting the best possible.

18. How many adjustments were provided to the auditors after the trial balance was provided last year?

Approximately 5-6 client adjusting journal entries after the final trial balance was provided, including the actuarial valuation true-ups to our reserve accounts.

How many audit adjustments did the auditors provide to the Plan?

None.

19. What one thing would you like replicated and what would you like changed from your prior year audit?

SCERA's prior year audit firm had a very good understanding of pension accounting and reporting which made the transition for new SCERA staff easier. Audit firm staffing of an audit can be complex, but ensuring they are knowledgeable of the client's business, environment, and nuances prior to the engagement is essential.

20. Are you expecting an onsite audit or would you be open to a hybrid or fully remote audit?

SCERA is open to a hybrid audit approach when it comes to fieldwork. We appreciate fraud interviews and test of internal controls/walkthroughs to be done in person as this can help bridge the gap in understanding of important topics, especially in the first years with a new audit.

21. Are you expecting any significant changes to management or your financial statements over the next three (3) years?

SCERA does not anticipate any significant or material changes to our financial statements or management in the next three (3) years.

22. Were there any changes to your IT system in the current period or are you expecting any changes in the next three years?

SCERA expects to implement a new financial accounting system during the contract period.