
RESULTS OF SBCERS' FINANCIAL STATEMENT AUDIT

**for the Fiscal Year Ended
June 30, 2022**



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January 25, 2023

Board of Retirement
Santa Barbara County Employees' Retirement System
130 Robin Hill Road, Suite 100
Goleta, California 93117

We are pleased to present to you the results of our audit of the Santa Barbara County Employees' Retirement System (SBCERS) financial statements for the fiscal year ended June 30, 2022.

We look forward to presenting the results of the audit and addressing your questions.

Sincerely,
Andrew J. Paulden, CPA
Managing Partner

Neeraj Datta, CPA, CGMA,
Audit Engagement Partner

BROWN ARMSTRONG ACCOUNTANCY CORPORATION



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SCOPE OF SERVICES

Audit of SBCERS' 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 (GAS), issued by the Comptroller General of the United States

Other **communications and reports** required by professional standards including:

- Required Communication at the Conclusion of an Audit in Accordance with Professional Standards (SAS 114)
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters in Accordance with GAS



AUDIT TIMELINE & CRITICAL DATES

- First Week of Fieldwork – August 1, 2022
 - Remote Testing of Internal Controls
 - Walkthroughs and Understanding of Key Accounting Areas
 - Update Minutes and Agreements
- Second Week of Fieldwork – September 26, 2022
 - Substantiate all Accounts and Balances
 - Review Confirmation Responses
- ACFR Review and Draft Reports – December 2022
- Audit Opinion Issued – December 27, 2022



AUDIT AREAS OF FOCUS

SIGNIFICANT RISK AREA

BROWN ARMSTRONG'S RESPONSE

Revenue recognition

- Test of controls was performed over contribution amounts as part of participant data
- Confirmations from third parties
- Other substantive analytics were also performed

Management override of controls

- An understanding of controls over journal entries was obtained and a sample testing of individual journal entries was performed
- Inquiries performed with individual(s) involved in the financial reporting process, and ensuring no inappropriate or unusual activity was noted relating to journal entry processing
- Performed 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 performed • High level analytics performed on investment income • Confirmation with custodian, investment manager, and consultant • Reviewed GASB Statement No. 72 valuation inputs and testing of level determinations • Obtained 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">◦ Confirmed with actuary, employers, and sample of participants• GASB Statements No. 67 and No. 74<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

RESULTS OF THE AUDIT

REPORT	SUMMARY OF OPINION / REQUIRED COMMUNICATION
Report on Financial Statements (Opinion)	<ul style="list-style-type: none"> • Unmodified (Clean) • Changes to structure of report due to SAS 134 implementation
Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114)	<ul style="list-style-type: none"> • New Accounting Standards Adopted – None • Significant Estimates and Sensitive Disclosures Reviewed <ul style="list-style-type: none"> ◦ Fair Value of Investments ◦ Contributions, Net Pension Liability and Net OPEB Liability Estimates <ul style="list-style-type: none"> ▪ Based on actuary assumptions • Corrected and Uncorrected Misstatements – One corrected misstatement resulting from timing difference for fair value of real estate investments • Disagreements with Management – None • Other Audit Findings or Issues – None
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	<ul style="list-style-type: none"> • No noncompliance noted • No material weaknesses, significant deficiencies, or control deficiencies identified
Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting (Management Letter)	<ul style="list-style-type: none"> • No current year findings or recommendations • Disposition of prior year comments



FINANCIAL STATEMENT REVIEW PROCESS

- Review Process
 - Administrative Review
 - Engagement Team Review
 - GFOA Review
 - Quality Control Review

THANK YOU! QUESTIONS?



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