

**SAN BERNARDINO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**
**PROPOSAL FOR
AGREED UPON PROCEDURES**

Prepared By:
Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, CA 92612

November 4, 2020

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San Bernardino County Employees' Retirement Association

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Davis Farr LLP

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November 4, 2020

San Bernardino County Employees' Retirement Association
Amy McInerny, Chief Financial Officer
348 W Hospitality Lane, Suite 100
San Bernardino, CA 92408

We are pleased to provide our proposal for Agreed Upon Procedures for the San Bernardino County Employees' Retirement Association ("SBCERA"). We are aware that while SBCERA has solicited numerous proposals, Davis Farr LLP has the knowledge and expertise to be the Associations' best selection for audit services.

- Our personnel regularly perform agreed upon procedures for California governments in a variety of areas including procedures testing internal controls, investments and wire transfers, payroll transactions, benefit eligibility, contract compliance, tax compliance, and a number of other areas. We work closely with our clients to ensure our procedures address risk areas and provide valuable feedback and information.
- Our philosophy when performing agreed upon procedures is focused on a strict interpretation of the laws, agreements, and policies when determining compliance. However, in many cases, issues identified during our testing are due to a lack of knowledge of those laws and agreements. Our staff is careful to approach the procedures from a standpoint of education and spends the time needed to ensure the auditee fully understands and agrees with the issues identified.
- As part of our service to you, we will provide feedback and recommendations for improved processes and forms to help minimize exceptions in the future. We are also available to meet with the Board of Retirement to present the results of our testing.

We appreciate the opportunity to share our credentials and look forward to developing our professional relationship. Our pricing shall remain firm and irrevocable for 90 days. I look forward to you contacting me so that I may answer further any questions which you may have. You may contact me at (949) 783-1740 or jfarr@davisfarr.com.

Very truly yours,

A handwritten signature in blue ink that reads 'Jennifer Farr'.

Jennifer Farr, CPA, MBA
Partner

San Bernardino County Employees' Retirement Association

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Section A – About Davis Farr LLP

Background Information – Davis Farr LLP is a full service accounting firm that specializes in providing attest and advisory services to federal, state, and local governments as well as non-profit entities. Our personnel have served governmental and non-profit entities for over 40 years. This engagement would be serviced out of our main office in Irvine, California. A breakdown of our audit personnel by classification is as follows:

Classification	Number of Employees
Partners	7
Managers	8
Supervisors	3
Seniors	15
Staff	15
Administrative	3
Total personnel	51

Independence – Davis Farr LLP is independent with respect to the San Bernardino County Employees' Retirement Association as defined by U.S. General Accounting Office's *Government Auditing Standards* and Generally Accepted Auditing Standards. Neither Davis Farr LLP nor the key personnel have any potential or real conflicts of interest with the San Bernardino County Employees' Retirement Association.

License to Practice in California – Davis Farr LLP and all key personnel are licensed with the California State Board of Accountancy to practice as independent certified public accountants.

Training – Every professional of the firm must enroll in continuing professional education courses. Each person is required to take at least 80 hours of training over a two-year period including 24 hours a year specific to government accounting and audit topics. Courses cover a wide spectrum of professional and technical subjects, and include Fraud Auditing, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise.

PROFESSIONAL ORGANIZATIONS

Government Audit Quality Center – Davis Farr LLP is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

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National Registry of CPE Sponsors – Davis Farr LLP is registered to provide continuing professional education through the National Association of State Board of Accountancy (NASBA). NASBA recognizes CPE program sponsors who provide continuing professional education programs in accordance with nationally recognized standards.

Cal CPA – Many of the CPAs employed by Davis Farr LLP are members of Cal CPA and regularly participate in chapter meetings, education, and events. In 2015, Cal CPA recognized one of Davis Farr LLP's partners with a **Women to Watch** award in the Experienced Leader category. Davis Farr LLP partners are also members of the **Governmental Accounting and Auditing Committee** of the CalCPA.

American Institute of CPAs – Davis Farr LLP and the firm's Partners are members of the American Institute of CPAs (AICPA). The AICPA develops standards for audits, provides educational guidance materials to its members, and monitors and enforces compliance with the profession's technical and ethical standards.

CSMFO – The Partners of Davis Farr LLP are members of the California Society of Municipal Finance Officers (CSMFO), the statewide organization serving all California municipal finance professionals. Firm personnel regularly attend CSMFO Chapter Meetings and Conferences. The Partners of Davis Farr LLP are frequent presenters on accounting and auditing technical topics at Chapter Meetings and Conferences.

GFOA – The Government Finance Officers Association (GFOA) enhances and promotes the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit. The Partners of Davis Farr LLP are members of the Certificate of Achievement Program's Special Review Committee. The Committee reviews Comprehensive Annual Financial Reports submitted to GFOA for the CAFR Award Program.



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Section B – Experience and Qualifications

We have extensive experience performing agreed upon procedures engagements for California governments. The following is an example of some of the procedures we have recently performed along with contact information for references.

Rancho California Water District

Healthcare Eligibility – Our agreed upon procedures included evaluating the District's policies and procedures for determining healthcare eligibility. We selected active and retired healthcare plan participants and performed procedures including a review of enrollment forms, determining employee, spouse, and dependent eligibility, testing plan changes, and testing employee vs. employer contributions.

Kathy Naylor, Accounting Manager
42135 Winchester Road, Temecula, CA
951-296-6918 naylor@ranchowater.com

Hass Avocado Board

In 2020, we performed six agreed upon procedures engagements to test staff travel and expenses, Board of Retirement travel and expense, and credit card transactions. Our testing included an evaluation of internal controls and written policies, review of 100% of transactions, and testing for compliance with policies, adequate documentation, and reasonableness of costs incurred.

Robert Rumph, VP of Finance
25212 Marguerite Parkway, Suite 250, Mission Viejo, CA
949-341-3250 robert@hassavocadoboard.com

San Diego County Water Authority

Wire Transfers, Investing, and Cash Handling – Our agreed upon procedures included evaluating the Authority's policies and procedures for cash and investment management. We tested a sample of cash, checks, and wire transfers received to determine if they were properly and timely deposited, authorized, documented, and recorded. We tested a sample wire transfers paid to determine if they were properly authorized, documented and recorded. We reviewed investment transactions including purchases, sales, transfers, interest, and other activity to determine if they were properly authorized, reconciled, documented and recorded.

Chris Woidzik, Controller
4677 Overland Ave, San Diego, CA
858-522-6679 cwoidzik@sdcwa.org

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City of Huntington Beach

Each year we work closely with the City of Huntington Beach to perform agreed upon procedures of the City's hotels, franchise operators, and concessionaires. We perform approximately 15 agreed upon procedures a year for the City of Huntington Beach.

Dahle Bulosan, Chief Financial Officer
200 Main Street, Huntington Beach, CA
714-536-5648 dbulosan@surfcity-hb.org

City of Mission Viejo

We meet with the City Manager and City Council each year to discuss risk areas for the City and select agreed upon procedures engagements related to those risk areas. We work closely with the City staff to design procedures that meet their needs for feedback and information. Over the past few years we have performed a deep dive into different City department processes including permitting, recreation centers, library operations, community development activities, and golf course activities.

Cheryl Dyas, Director of Administrative Services/City Treasurer
200 Civic Center, Mission Viejo, CA
949-470-3082 cdyas@cityofmissionviejo.org

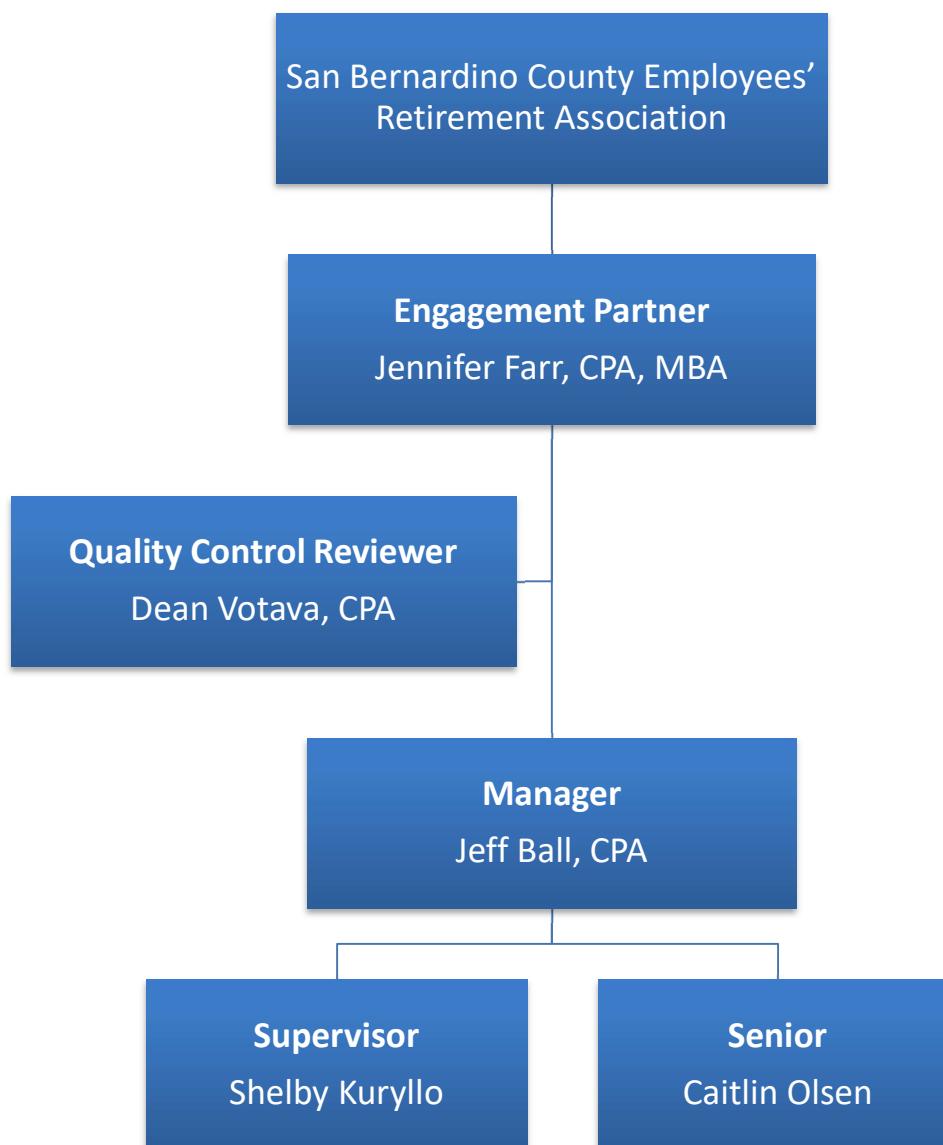
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Section C – Personnel

The successful outcome of any audit requires personnel with the managerial and technical skills to perform the work required. The engagement team who will serve the San Bernardino County Employees' Retirement Association have served together as a team of professionals on numerous audits.

We believe that efficient administrative management and supervision of the audits is an extremely critical factor in achieving the desired results for the San Bernardino County Employees' Retirement Association. In that regard, our proposal organizational structure for providing independent auditing services is as follows:



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Partner – Jennifer Farr, CPA, MBA

Ms. Farr will serve as the Engagement Partner on this project. She will oversee the project to ensure all required deadlines are met, provide technical assistance to the audit teams, and review the audit workpapers and reports. Ms. Farr is a Certified Public Accountant with over 20 years of experience in local government auditing. Ms. Farr is a frequent speaker on matters pertaining to technical issues and new GASB pronouncements. Ms. Farr is also responsible for the firm-wide training for Davis Farr LLP in the area of local governmental accounting and auditing. Ms. Farr's has served as the Engagement Partner on all of the agreed upon procedures engagement noted in this proposal and has been performing agreed upon procedures for government agencies for over 20 years.



Quality Review Manager – Dean Votava, CPA

Dean Votava is a Senior Manager with Davis Farr and will serve as the Quality Control Review Manager on this audit. Mr. Votava has over 30 years of local government auditing experience. In the role of quality control, he will review the audit workpapers and reports issued to ensure the team is following the firm's audit quality standards. Dean is also a second technical resource to your organization.



Manager – Jeff Ball, CPA

Jeff Ball is currently the Manager on many of the firm's agreed upon procedures engagements. Jeff has 13 years of local government auditing experience. He will develop and implement the audit plan and conduct reviews of working papers and reports prepared by the Supervisor and Senior Auditors. Jeff will be heavily involved in developing the procedures and meeting with you to evaluate any issues identified. Jeff will also participate in any meetings with you and the Board of Retirement.

Supervisor – Shelby Kurylo

Ms. Kurylo has been with the firm for over five years and has in-charged numerous agreed upon procedures engagements. She is excellent at identifying issues and discussing those issues with the auditee to ensure she properly understands and documents the exception. She regularly leads firm training and was recently a member of a panel at the Cal CPA Women's Leadership Conference. She will be responsible for performing the procedures and drafting the report for this engagement.

Senior Auditor – Caitlin Olsen

Ms. Olsen has been with the firm for two years worked on government audits and agreed upon procedures during her time at the firm. She has a Masters of Professional Accountancy and is exceptional at thinking outside the box. Caitlin will assist Ms. Kurylo on this engagement.

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Section D – Work Plan

The proposed procedures below are based on our understanding of SBCERAs needs based on the Request for Proposal and information available on the entity's website related to these issues. If selected for this engagement, we will further refine the procedures to ensure we are meeting your needs.

Accuracy of Member Information

1. We will obtain all policies and resolutions related to the collection process and recordkeeping of member information. We will interview staff involved in this process and evaluate the process for changing information and approving those changes in the system. We will evaluate the adequacy of SBCERA's monitoring of this information.
2. We will select a sample of member information representing both active and retired members, members in different tiers, and members from different employer agencies. We will perform a test to substantiate the following information:
 - Age
 - Male/Female
 - Spouse/Domestic Partner
 - Beneficiaries
 - Pensionable compensation
 - Plan enrollment
 - Hire date
 - Retirement date, if applicable
3. From the selection of members noted above, we will review contributions during the period and compare those amounts to payroll data submitted by the participating employers.
4. We will select a sample of new members added during the period. We will trace the information on the new member to the source documents from the employer agency and review the documentation to ensure it was approved in accordance with policies and input into the system accurately.
5. We will select a sample of members that transitioned from active to retired during the year. We will review source documentation from the employer agency supporting the change in classification. We will determine if the change was approved in accordance with policies and input into the system accurately.
6. We will perform data analytics on 100% of member information to determine if any anomalies exist in the data. For anomalies detected, we will perform additional procedures to substantiate the accuracy of member information.

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7. We will issue an agreed-upon-procedures report in accordance with the standards established by the American Institute of Certified Public Accountants. The report will identify the agreed upon procedures performed, results reached and recommendations.

Death Benefit Processes – Payments to Beneficiaries and Member Death Verification

1. We will obtain all policies and resolutions related to the death benefit process. We will obtain an understanding of the process for verifying eligibility for survivor benefits, particularly for minor children. We will interview staff involved in this process and evaluate the process for changing information and approving those changes in the system.
2. We will select a sample of death benefits processed within a one year period specified by SBCERA. We will review the death verification process including updates to:
 - member records as a result of enrollment information changes
 - personal information changes
 - family changes
 - death of member or beneficiary

We will trace this information to source documents and determine if SBCERA followed policies for approval and documentation of the changes. We will review the eligibility verification for the beneficiaries.

3. For the sample selected above, we will recalculate the death benefit for comparison to the SBCERA calculation.
4. We will evaluate SBCERAs process for identifying overpayments resulting from member or beneficiary death. We will select a sample of overpayments for additional testing and determine if the amount was detected and collected in a timely manner.
5. We will download 100% of death benefit payments into our data analytics software for purposes of determining anomalies in the data. If anomalies are detected, we will perform additional procedures verifying the accuracy of the information.
6. We will issue an agreed-upon-procedures report in accordance with the standards established by the American Institute of Certified Public Accountants. The report will identify the agreed upon procedures performed, results reached and recommendations.

Cash Management and Wire Transfer Processes

1. We will obtain all policies and resolutions related to cash management and wire transfers. We will interview the staff involved in these processes and review manual and system controls in place.

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2. We will select a sample of cash receipts and wire transfers received. We will test those transactions for adherence to SBCERA's policies, adequacy of documentation supporting the transactions, and proper recording. We will trace deposits from internal documentation to evidence in the bank statement that the deposit was made. We will determine if deposits are made in a timely manner.
3. We will select a sample of wire transfers made by SBCERA. We will test those transactions for adherence to SBCERA's policies, adequacy of documentation supporting the transaction, and proper recording in the system. We will trace wire transfers between SBCERA accounts to ensure the funds were actually transferred to the other account.
4. We will obtain a listing of commitment balances authorized by the Board of Retirement. We will verify the commitment transfers were initiated as specified by the Board.
5. We will download 100% of wire transfers and analyze the information using data analytic software. We will evaluate the transfers for anomalies and test any transactions identified as unusual.
6. We will issue an agreed-upon-procedures report in accordance with the standards established by the American Institute of Certified Public Accountants. The report will identify the agreed upon procedures performed, results reached and recommendations.

Section E – Schedule

We anticipate the following timeline for performing the procedures but can revise the timeline to work around your schedule:

December 3, 2020	SBCERA Board approves contract
December 14, 2020	Davis Farr meets with SBCERA staff to finalize procedures, sample sizes, and provides request lists
January 4, 2021	On-site procedures of Benefits and Customer Service (procedures can be performed remotely if preferred)
January 18, 2021	On-site procedures of Financial and Investment Operations (procedures can be performed remotely if preferred)
February 1, 2021	Draft reports provided to SBCERA for review

Report finalization and meetings with the Board will occur as SBCERA completes their review and schedules meetings.

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Section F – Cost

Our proposed fee structure is competitive and indicative of the value we are confident we can deliver. Our fixed fees (inclusive of all costs) for services are as follows:

Audit Services	Fixed Fees
<i>Benefits and Customer Service – Accuracy of Member Information</i>	\$7,500
<i>Benefits and Customer Service – Death Benefit Processes</i>	\$7,000
<i>Financial and Investment Operations – Cash Management Procedures and Wire Transfer Processes</i>	\$6,500

Our hourly rates by professional staff are included below. However, you will not be billed for time incurred in excess of the quoted fees above unless SBCERA requests a change in the scope of work in writing.

<i>Partner</i>	\$180
<i>Manager</i>	\$130
<i>Supervisor</i>	\$110
<i>Senior</i>	\$100
<i>Staff Auditor</i>	\$85



Report on the Firm's System of Quality Control

Davis Farr LLP

Irvine, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Davis Farr LLP (the firm) in effect for the year ended May 31, 2019. 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. 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 a compliance audit under the Single Audit Act, and examination of a service organization (SOC 1, Type 2 Report).

As 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.

CPAs ▪ Advisors

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CPA AMERICA
INTERNATIONAL
Member
Crowe Horwath International.

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Peer Review Report
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Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 2019, 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*. Davis Farr LLP has received a peer review rating of *pass*.

GYL LLP

Ontario, California
September 23, 2019