

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Debby Cherney, Chief Executive Officer  
Amy McInerney, Chief Financial Officer  
San Bernardino County Employees' Retirement Association  
348 W. Hospitality Lane, Suite 100  
San Bernardino, California 92408

Dear Ms. Cherney and Ms. McInerney:

We have performed the procedures enumerated below related to San Bernardino County Employees' Retirement Association's (SBCERA) compliance with the requirements in Attachment A during the year of July 1, 2023, to March 31, 2024. SBCERA's management is responsible for its compliance with those specified requirements.

SBCERA's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether SBCERA complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated results with our recommendations are described in Attachment A – Agreed-Upon Procedures and Associated Results. Management's responses are described in Attachment B- Management's Response.

We were engaged by SBCERA's management to perform this agreed-upon procedures engagement and we conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of SBCERA's management and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Bakersfield, California  
August 6, 2024

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## Exhibit A: Page 2

### SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ATTACHMENT A – AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS FOR THE PERIOD JULY 1, 2023 THROUGH MARCH 31, 2024

#### **AUP-1: Benefits and Customer Service – Death Benefit Processes – Payments to Beneficiaries and Member Death Verification**

The procedures described below were applied separately to each of the active and decedent participant populations provided by SBCERA for the period July 1, 2023, through March 31, 2023. Based on the steps outlined in the proposal, a representative sample size of fifty deceased participants was selected to perform agreed-upon procedures.

Our results and findings with our recommendations are as follows:

Specific to the process for death verification and notification, specifically, that entries are made timely and proper procedures are followed.

- A. Verify that a death notification was sent to the participant's beneficiary in a timely manner notifying the beneficiary of the participants death.

**Results:** During our testing of deceased participants, we noted twenty-three out of the fifty decedents selected for testing did not have an initial contact letter sent to the decedent's beneficiary on file within SBCERA's noted time frame of 1-2 days for active deaths or 5-10 days for retiree deaths.

**Recommendation:** We recommend that SBCERA's members services staff implement a review procedure requiring member services to follow up with beneficiaries every 30 days and make a minimum of two to three attempts to contact the beneficiary. The communication attempts should be tracked on an internal log and copies of the communication letters saved in each participant's file. We also recommend that there be guidelines included in their policy regarding what should be done and when if a beneficiary does not respond.

- B. Verify the participant's status is changed in the pension system to "deceased" or equivalent.

**Results:** No exceptions noted during testing.

- C. Verify the participant was properly excluded from future payroll or benefit payments in the pension system after the date of death.

**Results:** No exceptions noted during testing.

- D. Verify that SBCERA reviews death audit reports and cross references the data to their member listing to search for and identify any possible newly deceased members.

**Results:** No exceptions noted during testing.

- E. Verify the procedures performed above are in accordance with SBCERA's written policies.

**Results:** During our testing of deceased participants, we noted SBCERA does not have a formal death benefit processing manual or written policies regarding death benefits that outlines the specific procedures and timelines that the members services department can utilize for the benefit payment process.

## Exhibit A: Page 3

**Recommendation:** We recommend that SBCERA implement a death benefit process manual that outlines the timeline and steps to be taken during the death benefit process. The death benefit process manual should include detailed steps to be taken for various different decedent circumstances to allow for it to be referenced by SBCERA's members services staff when processing death benefits.

Specific to the process for issuing payments to survivors and continuance beneficiaries after death notification, specifically, that actions are timely and proper procedures are followed.

- A. Review the beneficiary's marriage license and/or birth certificate to verify their identity and relationship to the deceased participant.

**Results:** No exceptions noted during testing.

- B. Verify a copy of the completed "Death Benefit Election Form" was received from the beneficiary.

**Results:** No exceptions noted during testing.

- C. Verify a copy of the deceased participant's death certificate was received prior to the disbursement of applicable benefits selected in the "Death Benefit Election Form".

**Results:** No exceptions noted during testing.

- D. Verify that payment was made to the beneficiary in a timely manner after all required documents were received by SBCERA from the beneficiary.

**Finding:** During our testing of deceased participants, we noted twelve out of the fifty decedents selected for testing did not have their death benefits paid to their beneficiaries, as none of the applicable death verification documents required to process the benefit payments to the beneficiaries had been received by SBCERA. We noted an overall lack of attempts to contact the beneficiaries by SBCERA to obtain the documents.

**Recommendation:** We recommend that SBCERA's members services staff creates a log of open decedent cases and routinely reviews the log for any stale cases that have not been updated. SBCERA's members' services should review the log a minimum of every 30 days and make a minimum of two to three attempts to contact the beneficiary to request the required documents. The communication attempts should be tracked, and copies of the letters imaged and saved in the decedent's file. We also recommend that there be guidelines included in their policy regarding what should be done and when if a beneficiary does not respond.

- E. Verify the procedures performed above are in accordance with SBCERA's written policies.

**Result:** Refer to step E above.

### **AUP-2: Financial Operations – Accounts Payable**

Specific to the process for recording and paying vendors timely and accurately, and that proper procedures are followed.

- A. Select a sample of accounts payable transactions from the general ledger and trace the transaction to the applicable supporting documentation, such as an invoice or contract.

**Result:** No exceptions noted during testing.

- B. Trace the transaction from SBCERA's Accounts Payable automation solution system (Stampli) to source documents.

**Result:** No exceptions noted during testing.

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- C. Verify that supporting documentation exists for the transaction and was recorded into the general ledger accurately based on the supporting documentation.

**Result:** No exceptions noted during testing.

- D. Verify the source document was signed by the preparer and approved for payment by someone designated with the authority to approve the payment.

**Result:** No exceptions noted during testing.

- E. Verify the expense was paid in a timely manner after being approved for payment.

**Result:** No exceptions noted during testing.

- F. Verify the procedures performed above are in accordance with SBCERA's written policies.

**Result:** No exceptions noted during testing.

### **AUP-3: Financial Operations – Payroll Process**

Specific to the process SBCERA payroll, primarily, that payments are accurate and timely and proper procedures are followed.

- A. Select a sample of employee payroll transactions based on SBCERA's payroll calendar and employee listing.

**Result:** No exceptions noted during testing.

- B. Verify that employee verification forms and related verification documents exist for selected employees.

**Result:** No exceptions noted during testing.

- C. Verify that employees are being paid their approved hourly pay rate or contracted amount.

**Result:** No exceptions noted during testing.

- D. Verify that employee timesheets are completed and signed by the employee prior to submission for approval.

**Result:** No exceptions noted during testing.

- E. Verify that employee timecards are properly reviewed and authorized by their supervisor.

**Result:** No exceptions noted during testing.

- F. Verify that SBCERA is performing a review of the total payroll report for accuracy prior to releasing for processing.

**Result:** No exceptions noted during testing.

- G. Verify that employee paychecks are issued timely in accordance with the payroll calendar.

**Result:** No exceptions noted during testing.

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H. Verify that any vacation or payroll accruals are calculated correctly.

**Result:** No exceptions noted during testing.

I. Verify the procedures performed above are in accordance with SBCERA's written policies.

**Result:** No exceptions noted during testing.

## Exhibit A: Page 6

**SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
ATTACHMENT B – MANAGEMENT'S RESPONSE  
FOR THE PERIOD JULY 1, 2023 THROUGH MARCH 31, 2024**

**AUP-1: Benefits and Customer Service – Death Benefit Processes – Payments to Beneficiaries and Member Death Verification**

SBCERA recognizes that the process in place requires improvement – both in design and execution. To address the exceptions noted, SBCERA has hired a Survivor Benefit Manager who will manage the new process. SBCERA will contract with an independent accounting firm to retest these areas within 1-2 years.