

**SAN BERNARDINO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

REPORT TO THE BOARD OF RETIREMENT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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**REQUIRED COMMUNICATION TO THE BOARD OF RETIREMENT
IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

Board of Retirement
San Bernardino County Employees' Retirement Association
San Bernardino, California

We have audited the financial statements of San Bernardino County Employees' Retirement Association (SBCERA) as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated November 3, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 3, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SBCERA are described in Note 2 to the financial statements. SBCERA did not implement any new accounting standards in the fiscal year ended June 30, 2023. We noted no transactions entered into by SBCERA during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the fair value of investments is derived by various methods as detailed in Note 2. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

The contribution amounts and net pension liability, which are based on the actuarially-presumed interest rate and assumptions. We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures for deposits and investments in Notes 2 and 7 to the financial statements, Summary of Significant Accounting Policies and Deposits and Investments, respectively, were derived from SBCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes.

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Additionally, the disclosures related to the funding policies, net pension liability, and actuarial methods and assumptions in Note 2 Summary of Significant Accounting Policies, Note 5 Reserves, and Note 4 Net Pension Liability of Participating Employers were derived from the actuarial valuations, which involved estimates of the value of reported amounts and probabilities about the occurrence of events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements in the current fiscal year.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the Management Representation Letter dated November 3, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SBCERA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each fiscal year prior to retention as SBCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the required supplementary information, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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We were not engaged to report on the introductory, investments, actuarial, or statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the Board of Retirement and management of San Bernardino County Employees' Retirement Association and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 3, 2023

**INDEPENDENT AUDITOR'S 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**

Board of Retirement
San Bernardino County Employees' Retirement Association
San Bernardino, California

We have audited, in accordance with the 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, the financial statements of the San Bernardino County Employees' Retirement Association (SBCERA) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SBCERA's basic financial statements, and have issued our report thereon dated November 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SBCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SBCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SBCERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SBCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SBCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SBCERA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 3, 2023

**AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE
EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING
(MANAGEMENT LETTER)**

Board of Retirement
San Bernardino County Employees' Retirement Association
San Bernardino, California

We have audited the financial statements of the San Bernardino County Employees' Retirement Association (SBCERA) as of and for the fiscal year ended June 30, 2023, and have issued our report dated November 3, 2023. In planning and performing our audit of the financial statements of SBCERA, we considered its internal control structure over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SBCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SBCERA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we considered to be material weaknesses or significant deficiencies. However, significant deficiencies and material weaknesses may exist that have not been identified.

During our prior year audit, we became aware of a certain matter that was an opportunity for strengthening internal controls and operating efficiencies. The recommendation listed in this report summarizes our prior year comment and suggestion regarding this matter.

Restriction on Use

This report is intended solely for the information and use of the Board of Retirement and management of SBCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

Bakersfield, California
November 3, 2023

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION
Brown Armstrong
Accountancy Corporation

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Current Year Agreed Upon Conditions and Recommendations

None.

Status of Prior Year Agreed Upon Conditions and Recommendations

Agreed Upon Condition 1 – Access Termination Form

Condition

While performing our information technology (IT) audit procedures, we noted an employee termination request that was not accompanied by the proper forms. Per SBCERA, the correct process for removing employee access after termination is to submit a ticket and a form officially requesting termination of the employee's access. For the terminated employee we reviewed, the form was not submitted alongside the termination request ticket.

Recommendation

We recommend that SBCERA ensure that all required forms are completed when processing an employee termination in order to prevent any potential issues with terminated employee access.

Management Response

SBCERA updated the process mid-year to utilize the IS Help Desk Ticket functionality. This deviation occurred during implementation of the process. As such, an attachment was not made inside of that functionality. The process is now fully in place and all tickets must contain an attachment.

Current Year Status

No similar condition was noted in the current year.