



BOARD OF RETIREMENT

Staff Report

File #: 19-1165

Agenda Date: 12/3/2020

Agenda #: 3.

FROM: Amy McInerney, Chief Financial Officer

SUBJECT: Selection of Accounting Firms to Perform Agreed Upon Procedures for FY 2020-21

RECOMMENDATION:

Recommend that the Board approve the engagement of Brown Armstrong in the sum of \$30,195 for two agreed upon procedures reports, and approve the engagement of Davis Farr in the sum of \$6,500 for one agreed upon procedures report.

BACKGROUND:

In July 2020, the Board approved an FY 2020-21 Audit Workplan with three specific areas for Agreed Upon Procedures reports to be prepared by an independent accounting firm or firms. Those reports cover the following areas:

1. Benefits and Customer Service - Accuracy of Member Information
2. Benefits and Customer Service - Death Benefit Processes - Payments to Beneficiaries and Member Death Verification
3. Financial and Investment Operations - Cash management procedures and Wire transfer process.

In October 2020, staff released a Request for Proposals, which was posted on sbcera.org and publicized through social media. SBCERA received five proposals from qualified independent accounting firms.

A committee consisting of the Chief Financial Officer Amy McInerney, Chief Executive Officer Debby Cherney and both Accounting Managers Christina Cintron and Jayson Eaton reviewed and evaluated the proposals. Two firms stood out from the others in terms of the thoroughness of their proposed procedures, and staff recommends that the Committee recommend that the Board approve contracts as follows:

1. Brown Armstrong - \$30,195
 - a. Benefits and Customer Service - Accuracy of Member Information
 - b. Benefits and Customer Service - Death Benefit Processes - Payments to Beneficiaries and Member Death Verification
2. Davis Farr - \$6,500
 - a. Financial and Investment Operations - Cash management procedures and Wire transfer process.

Brown Armstrong is recommended due to their in-depth industry knowledge and pension experience. They are currently the financial statement auditors for SBCERA, so these Agreed Upon Procedures would allow them to delve much more in-depth into two areas which have been identified as higher risk to SBCERA. In addition, the proposed procedures outlined by Brown Armstrong demonstrated a sophisticated and detailed knowledge of the County Employees Retirement Law and potential errors or pitfalls that were not demonstrated at the same level of detail by the other firms. Davis Farr is recommended due to the proposed procedures, particularly highlighting examining whether the Board approved investment commitments are validated as part of the wire transfer process. Both firms are highly qualified.

The following is a table of the total fees proposed by the five firms which submitted proposals:

Brown Armstrong	\$43,540
Clifton Larsen Allen	\$28,050 - \$38,550
Davis Farr	\$21,000
Eide Bailly	\$30,000
Pun Group	\$29,700

Proposed Fees as recommended by Staff:

Brown Armstrong	\$30,195
Davis Farr	\$6,500
Total	\$36,695

Copies of both the Brown Armstrong and Davis Farr proposals are attached as Exhibits A and B, respectively.

BUDGET IMPACT:

Costs for this item are included in the current year administrative budget.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Prudent Fiscal Management

STAFF CONTACT:

Amy McInerney

ATTACHMENTS:

Exhibit A: Proposal from Brown Armstrong

Exhibit B: Proposal from Davis Farr