Agenda Item 13

MEETING DATE: January 15, 2020

SUBJECT: Independent Auditor Contract Extension

SUBMITTED FOR: X Consent  and Action  and File

RECOMMENDATION

Staff recommends the Board extend the audit service contract with Brown Armstrong Accountancy Corporation (Brown Armstrong) for the three fiscal years ending June 30, 2020, 2021, and 2022, and authorize SCERS’ Chief Executive Officer to execute documents necessary to update the contract.

PURPOSE

This item contributes to the effective management and oversight of administrative activities. The Board is responsible for approving contracts with its consultants, auditors, actuaries, and investment managers.

DISCUSSION

In July 2017, SCERS engaged Brown Armstrong as its independent auditor. The term of the original agreement commenced on July 1, 2017 through June 30, 2020 for the financial statements and GASB 68 audits of fiscal years ended June 30, 2017 through June 30, 2019. The original contract term allows for an additional one to three years extension upon the mutual agreement between SCERS and the selected firm.

The scope of work related to the external audit contract is summarized below:

- Conduct audit of SCERS’ Comprehensive Annual Financial Report (CAFR) 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
- Conduct audit of the Schedules of Employer Allocations and Pension Amounts by Employer (GASB 68 audit)
• Issue the following reports related to the financial statements audit:
  o Independent auditor’s report on SCERS’ financial statements
  o Required communications in Accordance with Professional Standards
  o 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
  o Management Comment Letter

• Issue the Independent auditor’s report for the GASB 68 audit

Staff has been pleased with the services provided by Brown Armstrong, and the efficiency gained after each year. Brown Armstrong has been reliable in meeting SCERS’ timeline and goals for audit completion and audit reports issuance. Staff believes that issuance a request for proposal for audit services is not needed at this time. Therefore, staff recommends that SCERS enter into a three-year contract extension with Brown Armstrong for audit services, and update the language and terms within the contract as needed.

Brown Armstrong’s annual not-to-exceed maximum fees for both the CAFR and GASB 68 audits for the fiscal years ended June 30, 2017, 2018 and 2019 were $75,915, $73,885, and $75,363, respectively. Brown Armstrong has offered to keep the all-inclusion not-to-exceed maximum fee of $75,363 for each of the three fiscal years ending June 30, 2020, 2021, and 2022.

Prepared by:       Reviewed by:
/S/                   /S/
_____________________________   ____________________
Debbie Chan        Eric Stern
Senior Accounting Manager    Chief Executive Officer