

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA**

**AUDIT COMMITTEE MEETING
December 15, 2021
9:30 A.M.**

Members of the Committee
Frank Eley, Chair
Shari Freidenrich, Vice Chair
Charles Packard
Jeremy Vallone

Pursuant to Assembly Bill 361, signed into law on September 16, 2021 as urgency legislation; Governor Newsom’s Proclamation of a State of Emergency on March 4, 2020, which Proclamation is still in effect; and OCERS Board of Retirement Resolution 2021-03 adopted December 13, 2021, this meeting will be conducted by video/teleconference only, in compliance with Government Code section 54953 as amended by Assembly Bill 361. None of the locations from which the Committee members will participate will be open to the public.

Members of the public who wish to observe and/or participate in the meeting may do so via the Zoom app or via telephone. Members of the public who wish to provide comment during the meeting may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing * 9 on your telephone keypad.

OCERS Zoom Video/Teleconference information	
<p>Join Using Zoom App (Video & Audio)</p> <p>https://ocers.zoom.us/j/83712105769</p> <p>Meeting ID: 837 1210 5769 Passcode: 527921</p> <p>Go to https://www.zoom.us/download to download Zoom app before meeting Go to https://zoom.us to connect online using any browser.</p>	<p>Join by Telephone (Audio Only)</p> <p>Dial by your location</p> <ul style="list-style-type: none"> +1 669 900 6833 US (San Jose) +1 253 215 8782 US (Tacoma) +1 346 248 7799 US (Houston) +1 929 436 2866 US (New York) +1 301 715 8592 US (Germantown) +1 312 626 6799 US (Chicago) <p>Meeting ID: 837 1210 5769 Passcode: 527921</p>
<p>A Zoom Meeting Participant Guide is available on OCERS website Board & Committee meetings page</p>	

AGENDA

This agenda contains a brief general description of each item to be considered. The Committee may take action on any item included in the agenda; however, except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda. The Committee may consider matters included on the agenda in any order, and not necessarily in the order listed.

CALL MEETING TO ORDER AND ROLL CALL

PUBLIC COMMENT

At this time, members of the public may comment on (1) matters not included on the agenda, provided that the matter is within the subject matter jurisdiction of the Committee; and (2) any matter appearing on the Consent Agenda. Members of the public who wish to provide comment at this time may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing * 9 on your telephone keypad. When addressing the Committee, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

In addition, public comment on matters listed on this agenda will be taken at the time the item is addressed.

CONSENT AGENDA

C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

October 4, 2021

ACTION ITEMS

NOTE: Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Committee’s discussion of the item. **Members of the public who wish to provide comment in connection with any matter listed in this agenda may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing *9, at the time the item is called.**

A-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

A-2 FINANCIAL AUDITOR INTERVIEWS

Introduction by Brenda Shott and Presentations by Eide Bailly LLP; Macias Gini & O’Connell LLP; and Moss Adams LLP

Recommendation: Staff recommends (1) selecting one of the three finalists chosen to make an oral presentation at the December 15, 2021 Audit Committee meeting to serve as OCERS financial auditor based on the firm’s presentation, responsiveness to the Audit Committee’s questions, and the written proposal submitted; and (2) after conducting such interviews, that the Audit Committee recommend to the Board of Retirement to award a contract for financial auditor services to the selected finalist, subject to satisfactory negotiation of terms.

CLOSED SESSION

E-1. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (GOVERNMENT CODE §54957(b))

Title: Director of Internal Audit

Adjourn pursuant to Government Code section 54957(b) to evaluate the performance of the Director of Internal Audit

Recommendation: Take appropriate action.

******* END OF CLOSED SESSION AGENDA *******

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

ADJOURNMENT

NOTICE OF NEXT MEETINGS

DISABILITY COMMITTEE MEETING

January 18, 2022

8:30 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

REGULAR BOARD MEETING

January 18, 2022

9:30 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

2223 E. WELLINGTON AVENUE, SUITE 100

SANTA ANA, CA 92701

AVAILABILITY OF AGENDA MATERIALS - Documents and other materials that are non-exempt public records distributed to all or a majority of the members of the OCERS Board or Committee of the Board in connection with a matter subject to discussion or consideration at an open meeting of the Board or Committee of the Board are available at the OCERS' website: <https://www.ocers.org/board-committee-meetings>. If such materials are distributed to members of the Board or Committee of the Board less than 72 hours prior to the meeting, they will be made available on the OCERS' website at the same time as they are distributed to the Board or Committee members. Non-exempt materials distributed during an open meeting of the Board or Committee of the Board will be made available on the OCERS' website as soon as practicable and will be available promptly upon request.

It is OCERS' intention to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or participant at this meeting, you will need any special assistance beyond that normally provided, OCERS will attempt to accommodate your needs in a reasonable manner. Please contact OCERS via email at adminsupport@ocers.org or call 714-558-6200 as soon as possible prior to the meeting to tell us about your needs and to determine if accommodation is feasible. We would appreciate at least 48 hours' notice, if possible. Please also advise us if you plan to attend meetings on a regular basis.

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA**

**AUDIT COMMITTEE MEETING
October 4, 2021
9:30 a.m.**

MINUTES

OPEN SESSION

The Chair called the meeting to order at 9:35 pm.

Attendance was as follows:

Present via Zoom Video conference pursuant to Government Code § 54953, as amended by AB 361:

Frank Eley, Chair; Shari Freidenrich; Charles Packard; Jeremy Vallone

Also Present via Zoom:

David Kim, Director of Internal Audit; Steve Delaney, Chief Executive Officer; Gina Ratto, General Counsel; Brenda Shott, Assistant CEO, Internal Operations; Suzanne Jenike, Assistant CEO, External Operations; Jeff Lamberson, Director of Member Services; Jenny Sadoski, Director of Information Technology; Mark Adviento, Internal Auditor; Sonal Sharma-Beeson, Recording Secretary; Anthony Beltran, Audio Visual Technician.

PUBLIC COMMENT

None.

COMMITTEE FINDINGS PURSUANT TO GOVERNMENT CODE § 54953, AS AMENDED BY AB 361

Presentation by Gina Ratto, General Counsel, OCERS

Recommendation: The Committee is asked to make the following findings (a majority vote is required):

- (1) The Committee has reconsidered the circumstances of the state of emergency; and
- (2) The Committee has determined that one or both of the following circumstances exist:
 - a. The state of emergency continues to directly impact the ability of the members of the Committee to meet safely in person; and/or
 - b. State or local officials continue to impose or recommend measures to promote social distancing.

MOTION by Packard, **seconded** by Freidenrich, to approve staff recommendation.

The Committee discussed the AB 361 Resolution and during the course of that discussion considered whether the following paragraph of the Resolution could be deleted:

Audit Committee Meeting
October 4, 2021

“WHEREAS, the Audit Committee does hereby find that the COVID-19 pandemic, the current local case rate indicating high community transmission, and the lack of adequate space to promote safe social distancing of a large number of attendees have caused, and will continue to cause, conditions of peril to the safety of persons that are likely to be beyond the control of services, personnel, equipment, and facilities of OCERS.”

And the following edit could be made to the next paragraph:

“WHEREAS, ~~in making the aforementioned findings,~~ the Audit Committee acknowledges the proclamation of State of Emergency by the Governor of the State of California; the proclamation of Local Health Emergency by the County of Orange Health Officer; the proclamation of a Local Emergency by the Chairwoman of the Orange County Board of Supervisors; and the ratification of the Local Health Emergency and Local Emergency by the Orange County Board of Supervisors; as well as CalOSHA’s prevention Emergency Temporary Standards requiring any employee not wearing a face covering to be at least six feet apart from all other persons unless the unmasked employee is either fully vaccinated or tested at least weekly for COVID-19; the County of Orange Health Officer’s Orders and Strong Recommendations for unvaccinated persons to avoid gathering and practice social distancing; and the CDC’s recommendation for maintaining physical distance and avoiding crowds; and”

Further, the Committee discussed the following revision to Section 5 of the Resolution:

“Section 5. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of November 3, 2021, or such time the Audit Committee or the OCERS Board adopts a subsequent resolution in accordance with Government Code section 54953(e)(3) to extend ~~or terminate~~ the time during which the Audit Committee and/or other legislative bodies of OCERS may continue to teleconference without compliance with paragraph (3) of subdivision (b) of section 54953.”

The maker of the **MOTION**, Charles Packard, **AMENDED THE MOTION** to include the aforementioned edits and further to attach to the Resolution a copy of (i) AB 361, (ii) the State and County declarations and proclamations referenced in the Resolution, and (iii) the various guidance issued by the CDC, CalOSHA, and the County and referenced in the Resolution.

The seconder to the MOTION, Shari Freidenrich, accepted the amendments to the Motion.

The **MOTION, AS AMENDED**, passed **unanimously** with Eley, Freidenrich and Packard voting in favor of the amended motion and Vallone absent.

The Committee recessed to break at 10:21am

The Committee resumed at 10:32am

C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

June 4, 2021

MOTION by Packard, **seconded** by Freidenrich, to approve the Minutes.

Audit Committee Meeting
October 4, 2021

The motion passed unanimously.

A-2 PRIVATE EQUITY CONSULTANT AUDIT

Presentation by David Kim, Director of Internal Audit and Mark Adviento, Internal Auditor

Recommendation: Receive and file.

MOTION was made by Freidenrich, **seconded** by Packard to approve staff recommendation.

The motion passed unanimously.

A-3 SURVIVOR PAYMENTS AND DEPENDENT ELIGIBILITY AUDIT

Presentation by David Kim, Director of Internal Audit

Mr. Vallone joined the meeting.

Recommendation: Receive and file.

MOTION was made by Packard, **seconded** by Freidenrich to approve staff recommendation.

The motion passed unanimously.

The Committee recessed to break at 10:56am.

The Committee resumed at 11:02am.

A-5 HOTLINE UPDATE

Presentation by David Kim, Director of Internal Audit

Recommendation: Receive and file.

MOTION was made by Packard, **seconded** by Vallone to approve staff recommendation.

The motion passed unanimously.

R-1 MANAGEMENT ACTION PLAN VERIFICATION

Written Report

R-2 STATUS UPDATE OF 2021 AUDIT PLAN

Written Report

A-4 CONTINUOUS AUDIT OF FINAL AVERAGE SALARY CALCULATIONS (Q3 2021)

Presentation by David Kim, Director of Internal Audit

MOTION was made by Packard, **seconded** by Freidenrich to approve staff recommendation.

The motion passed unanimously.

Audit Committee Meeting
October 4, 2021

*The Committee recessed into Closed Session at 11:36 am.
The Committee resumed at 12:36 pm.*

E-1 THREAT TO PUBLIC SERVICES OR FACILITIES (GOVERNMENT CODE SECTION 54957)

Adjourn into Closed Session pursuant to Government Code section 54957 to consult with Steve Delaney, CEO, Brenda Shott, Asst. CEO; Suzanne Jenike, Asst. CEO; Matthew Eakin, Director of Information Security; Jenny Sadoski, Director of Information Technology; Jon Gossard, Information Security Manager; Gina M. Ratto, General Counsel; and David Kim, Director of Internal Audit

Recommendation: Take appropriate action.

The Audit Committee took no reportable action.

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

Mr. Delaney advised the Committee that the updated and streamlined version of the Director of Internal Audit Performance Evaluation, with input from Ms. Freidenrich, was distributed to the Committee for review. The intent is also to align the timing of the annual evaluation of the Director of Internal Audit with the rest of OCERS management. Mr. Delaney will work with Chair Eley for final approval.

Mr. Kim notified the Committee that Internal Audit has performed initial exploratory work for the Alameda Audit as part of 2022 Internet Audit plan.

Ms. Shott reminded the Committee that staff is in the process of reviewing RFPs for an External Auditor and will provide the Committee the opportunity to interview finalists in 2022.

COUNSEL COMMENTS

ADJOURNMENT

The Chair adjourned the meeting at 12:40 pm.

Submitted by:

Approved by:

Steve Delaney
Secretary to the Board

Frank Eley
Chair



Memorandum

DATE: December 15, 2021
TO: Members of the Audit Committee
FROM: Brenda Shott, Assistant CEO, Finance & Internal Operations
SUBJECT: Financial Auditor Interviews

Recommendation

Staff recommends (1) selecting one of the three finalists chosen to make an oral presentation at the December 15, 2021 Audit Committee meeting to serve as OCERS financial auditor based on the firm's presentation, responsiveness to the Audit Committee's questions, and the written proposal submitted; and (2) after conducting such interviews, that the Audit Committee recommend to the Board of Retirement to award a contract for financial auditor services to the selected finalist, subject to satisfactory negotiation of terms.

Background/Discussion

At its June 4, 2021 meeting, the Audit Committee approved distribution of a Request for Proposal (RFP) to initiate a search for a financial auditor. The Audit Committee Charter states that the Audit Committee's key areas of responsibility includes the oversight of External Auditors, including conducting the solicitation for the independent financial auditor, approving the RFPs or other solicitation vehicle, reviewing candidate qualifications and conducting interviews, and recommend one or more finalists to the Board for appointment. In addition, the Board's Procurement and Contracting Policy (Policy) designates the financial auditor as a "Named Service Provider." Under the Policy, all contracts with Named Service Providers are limited to a term of a total of six years. The current contract with Macias Gini & O'Connell, LLP (MGO) for auditing OCERS annual financial statements was completed with the approval of OCERS audited financial statements for the year ended December 31, 2020 at the June 21, 2021 Board meeting.

Selection Process

In July 2021, a RFP for financial auditor services was posted on OCERS' website and released to various affiliates in addition to directly soliciting six accounting firms. OCERS received seven proposals in response to the RFP:

- Brown Armstrong Accounting Corporation
- CliftonLarsonAllen LLP (CLA)
- Eide Bailly LLP
- Lance, Soll & Lunghard, LLP (LSL)
- Macias Gini & O'Connell LLP (MGO)
- Moss Adams LLP
- The Pun Group LLP



Memorandum

All proposals received were reviewed for responsiveness based on the following criteria:

Experience & Reputation	35%
Team Quality Assigned to OCERS	30%
Pricing & Value	25%
RFP Proposal Quality/Presentation	10%

The review panel, consisting of five staff members, three of whom are certified public accountants, thoroughly reviewed all proposals and scored them on each criterion. Based on the total score from all panelists, the firms were ranked and the top three proposers who scored far above the other four were determined to be the most qualified to provide OCERS with financial auditor services and selected for interviews:

- Eide Bailly
- MGO
- Moss Adams

Please note that all references to the finalists in this memorandum and the documents that follow are in alphabetical order based on firm names.

Interview Process

The interviews will take place at the beginning of the December 15, 2021 Audit Committee meeting. The planned procedure is for an approximately 45-minute interview with each firm as follows:

- Each candidate will be given ten minutes to make a general presentation about their firm
- The Audit Committee will ask the same 5 questions to each firm which will not be provided to the candidates ahead of time
- The Audit Committee may ask the candidate additional or follow-up questions
- Presentation to conclude with candidate summary

The interview process will be explained to the candidates prior to the date of the Audit Committee. The finalist firms not being interviewed will be excused from the meeting and placed in the Zoom waiting room during the other firm's interviews. All three firms will be excused from the meeting and placed in the Zoom waiting room during the Audit Committee's deliberation and then will return to the meeting for announcement by the Audit Committee of the finalist who will be recommended to the Board of Retirement to be awarded the contract for financial auditor services.

Summary of the RFP Responses

Of the three firms selected as finalists, only one has previously provided financial auditor services to OCERS; MGO has been OCERS financial auditor since July 2010 and as previously mentioned, completed the final contract year for auditing OCERS' annual financial statements on June 21, 2021.

The summary on the following page was based solely on staff's review and understanding of the firms' RFP responses and was not reviewed by the firms prior to inclusion with the Audit Committee materials.



Memorandum

Category	Eide Bailly	Macias Gini & O'Connell	Moss Adams
Total Fees (3 years)	\$340,800	\$398,500	\$351,600
Year 1	\$110,250	\$128,900	\$115,800
Year 2	\$113,600	*\$132,800	\$117,300
Year 3	\$116,950	\$136,800	\$118,500
Number of professionals and offices	2,640 employees; 441 in California 40+ offices in 14 states; 10 in California	400+ professionals 17 offices nationally and internationally; 10 in California	3,400+ professionals; 1,165 in California 25+ offices in 8 states; 11 in California
Retirement Plan Experience	<ul style="list-style-type: none"> • Public Employees' Retirement System of Mississippi • Missouri State Employees' Retirement System • Oklahoma Public Employees Retirement System • Public Employee Retirement System of Idaho • South Dakota Retirement System • Utah Retirement System • Wyoming Retirement System (See page 10 of proposal for full listing)	<ul style="list-style-type: none"> • OCERS • California Public Employees Retirement System • California State Teachers Retirement System • Oregon Public Employees Retirement System • Sacramento City Employees' Retirement System • San Diego City Employees Retirement System • San Bernardino County Retirement Association (see page 9 of proposal for full listing)	<ul style="list-style-type: none"> • El Paso Firemen and Policemen's Pension Fund • Kansas Public Employees Retirement System • Los Angeles City Employees Retirement System • Los Angeles County Employees Retirement Association • New Mexico Educational Retirement Board • San Diego City Employees Retirement System (consulting) • Ventura County – Deferred Compensation Plans

*Excludes \$6,000 for consideration of implementation of new ERP System



Memorandum

The full proposals provided by each of the finalists in response to the RFP and the scoring summary are attached to this memorandum.

Submitted by:

A digital signature of Tracy Bowman, consisting of the CCERS logo and the text "T.B. - Approved".

Tracy Bowman
Director of Finance

Approved by:

A digital signature of Brenda Shott, consisting of the CCERS logo and the text "B.M.S. - Approved".

Brenda Shott
Assistant CEO, Internal Operations

**Orange County Employee Retirement System
Financial Auditor RFP**

Date: **September 23, 2021**

		Weighting %	Eide Bailly		MGO		Moss Adams	
			Total	Weighted Score	Total	Weighted Score	Total	Weighted Score
Q1	Experience & Reputation	35%	4.0	1.40	4.0	1.40	4.0	1.40
Q2	Team quality assigned to OCERS	30%	4.0	1.20	4.0	1.20	4.0	1.20
Q3	Pricing & Value	25%	3.0	0.75	2.0	0.50	3.0	0.75
Q4	RFP Proposal quality/presentation	10%	3.0	0.30	4.0	0.40	4.0	0.40
				0.00		0.00		0.00
Price	Total 3-Year Cost		\$340,800	0.00	\$398,500	0.00	\$351,600	0.00
				3.65		3.50		3.75

Financial Auditor Services

Request for Proposal

July 2021

Orange County Employees Retirement System (OCERS)

2223 E Wellington Avenue Suite 100

Santa Ana, CA 92701 USA

1-(714)-558-6200

<http://www.ocers.org>

Contents

Section 1: Introduction.....	3
Section 2: Background.....	3
Section 3: Scope of Services.....	3
Section 4: General Conditions.....	4
Section 5: Point of Contact.....	4
Section 6: Response to Request for Proposal.....	5
Section 7: Proposal Requirements.....	6
Section 8: Evaluation Criteria.....	7
Section 9: Non-Discrimination Requirement.....	8
Section 10: Notice Regarding the California Public Records Act and the Brown Act.....	8
Section 11: Contract Negotiations.....	9
Section 12: Reservations by OCERS.....	9
Exhibit A: Scope of Services.....	11
Exhibit B: Minimum Qualifications Certification.....	14
Exhibit C: Proposal Cover Page and Checklist.....	15
Exhibit D: Agreement for Services.....	16

Section 1: Introduction

The Orange County Employees Retirement System (“OCERS”) is requesting proposals from qualified firms interested in providing financial auditor services and performing the annual audit of OCERS financial statements in accordance with accounting principles generally accepted in the United States of America.

Those who wish to be considered must submit their completed proposal by **5:00 p.m., PT, Friday, September 3, 2021**. Specific instructions for proposal submissions are contained in Section 7 of this RFP.

Questions about this RFP must be submitted in writing by **5:00 pm, PT, Friday, August 6, 2021** to Jim Doezie, Contracts, Risk & Performance Administrator, by email at jdoezie@ocers.org.

Section 2: Background

OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937, and provides members with retirement, disability, death, and cost-of-living benefits. There are approximately 48,000 members served by OCERS, of which over 19,000 are retirees. OCERS is governed by a nine-member Board of Retirement (“Board”) which has plenary authority and fiduciary responsibility for investment of moneys and administration of the retirement system. OCERS has over ninety employees and the Board appoints a Chief Executive Officer who is responsible for the management of the agency. For additional information about OCERS, please refer to the OCERS website at ocers.org.

Section 3: Scope of Services

The detailed scope of services for this engagement is outlined in the attached Exhibit “B” (“Scope of Services”). The primary objectives are to provide OCERS with financial auditor services to provide a full range of professional auditing services necessary to complete requirements related to the annual audit of OCERS financial statements in accordance with accounting principles generally accepted in the United States of America, as well as an audit of schedules related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, with the objective of expressing an opinion about whether these schedules are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

The firm selected for this engagement will be expected to meet requirements that include, but are not limited to, the following:

1. The firm must have all necessary permits and licenses to perform the requested services and must be bonded where applicable.
2. Minimum insurance coverage must include the following items, and proof of such insurance must be provided to OCERS prior to the commencement of work, on an annual basis, and upon request:
 - Commercial General Liability: \$2M per occurrence, \$2M aggregate
 - Automobile Liability: \$1M per occurrence, \$2M aggregate
 - Workers Compensation: \$1M per occurrence, \$1M aggregate
 - Umbrella Liability: \$8M per occurrence, \$8M aggregate
 - *Professional Liability*: \$2M per occurrence, \$3M aggregate

OCERS must be listed as an additional insured on the above policies.

3. The firm shall provide all personnel, equipment, tools, materials, vehicles, supervision, and other items and services necessary to perform all services, tasks, and functions as requested in this RFP.
4. The initial term of the contract awarded pursuant to this RFP will be for a **three year** period, with OCERS retaining the option to renew the contract, on an annual basis, for up to an additional three (3) years.
5. All work under the contract awarded shall be performed and all equipment furnished or installed in accordance with applicable safety codes, ordinances, and other regulations, including the regulations of the State of California, Division of Industrial Safety and the provisions of the California Labor Code, the Occupational Safety and Health Act of 1970, the California Occupational Health and Safety Act.
6. Minimum Qualifications
All respondents are required to sign and return the "Minimum Qualifications Certification," attached as Exhibit "B".

Section 4: General Conditions

All terms, conditions, requirements, and procedures included in this RFP must be met for a proposal to be qualified. A proposal that fails to meet any material term, condition, requirement, or procedure of this RFP may be disqualified. OCERS reserves the right to waive or permit cure of non-material errors or omissions. OCERS reserves the right to modify, amend, or cancel the terms of this RFP at any time.

OCERS may modify this RFP prior to the date fixed for submission of a proposal by posting, mailing, emailing or faxing an addendum to the respondents known to be interested in submitting a proposal. Failure of a respondent to receive or acknowledge receipt of any addendum shall not relieve the respondent of the responsibility for complying with the terms thereof.

A respondent's proposal shall constitute an irrevocable offer for the 120 days following the deadline for submission of proposals. Reference to a certain number of days in this RFP shall mean business days unless otherwise specified.

All proposals submitted in response to this RFP will become the exclusive property of OCERS. Proposals will not be returned to respondents.

By submitting a proposal, the respondent acknowledges that it has read this RFP, understands it, and agrees to be bound by its requirements unless clearly and specifically noted in the proposal submitted.

Section 5: Point of Contact

A quiet period will be in effect from the date of issuance of this RFP until announcement of the selection of a firm or firms under this RFP. During the quiet period, respondents are not permitted to communicate with any OCERS staff member or Board Member regarding this RFP except through the Point of Contact named herein. Respondents violating this quiet period may be disqualified at OCERS' discretion. Respondents having current business with OCERS must limit their communications to the subject of such business.

OCERS' normal business hours of operations are from 08:00 a.m. PT to 5:00 p.m. PT Monday through Friday, except for federal and state holidays.

The Point of Contact for all matters relating to this RFP is:

Name:	Jim Doezie
Title:	Contracts, Risk & Performance Administrator
Address:	OCERS 2223 E Wellington Ave., Suite 100 Santa Ana, CA 92701
Telephone:	(714) 569-4884
Email:	jdoezie@ocers.org
OCERS Website:	www.OCERS.org
Status:	See the OCERS website for status of the RFP and announcements. These items can also be found here: https://www.ocers.org/request-proposal

Section 6: Response to Request for Proposal

Proposals must be submitted to the Point of Contact identified in Section 5 and delivered by the due date and time stated below in the RFP Schedule.

OCERS will accept electronic, paper, or both types of submissions. Proposals may be submitted electronically in Microsoft Word or Adobe Acrobat PDF format to the email address noted in Section 5. Submission may also be made by mailing a USB flash drive with the electronic files, or a paper copy to the mailing address noted in Section 5. If paper copies are submitted, two (2) copies must be submitted.

RFP Schedule

The following timetable constitutes a tentative schedule for this RFP process. OCERS reserves the right to modify this schedule at any time.

Deliverable	Date	Time
Release of RFP	Thursday, July 22, 2021	5:00 pm, PT
RFP Questions Deadline	Friday, August 6, 2021	5:00 pm, PT
RFP Answers Posted	Friday, August 20, 2021	5:00 pm, PT
RFP Submission Deadline	Friday, September 3, 2021	5:00 pm, PT
OCERS Review of RFP Submissions	September 2021 (estimated)	
Selection of Finalists	October 2021 (estimated)	

Interviews of Finalists	To be determined
Service Award [or recommendation to the Board]	To be determined

Section 7: Proposal Requirements

Proposals must include the following information:

1. The "Minimum Qualifications Certification," attached as Exhibit "B."
2. The "Proposal Cover Page and Check List," attached as Exhibit "C."
3. An executive summary that provides the respondent's background, experience, and other qualifications to provide the services included in the Scope of Services (Exhibit "A").
4. A description of the respondent including:
 - a. Brief history, including year the respondent firm was formed.
 - b. Ownership structure.
 - c. Office locations.
 - d. Organization chart.
 - e. Number of employees.
 - f. Annual revenues.
 - g. Scope of services offered.
 - h. Respondent's specialties, strengths, and limitations.
 - i. The average retention rate (years of service) of the firm's other clients
5. The names and qualifications of fully trained and qualified staff that will be assigned to OCERS work, including a detailed profile of each person's background, relevant individual experience, including governmental auditing experiences, and indicate whether each person is licensed to practice as a certified public accountant in California.
6. Provide the firm's policy regarding the rotation of partners on financial statement audits.
7. Indicate how the quality of staff over the term of the agreement will be assured.
8. Provide information about the firm's technical resources and participation in state and national accounting and auditing industry groups.
9. At least three (3) references for which the respondent has provided services similar to those included in the Scope of Services. Please include for each reference the individual point of contact, a summary of the work performed, and the length of time the respondent provided each service.
10. Copies of any pertinent licenses required to deliver respondent's product or service (e.g., business license).
11. A copy of respondent's standard professional services contract.
12. An explanation of the pricing proposal for the scope of work including pricing of fees and costs, billing practices, and payment terms that would apply. The costs associated with the GASB 68 audit work should be included as a separate line item in the fee proposal. OCERS does not place any limits on the approach to pricing and is open to presentation of more than one pricing alternative for the scope of

work, or portions of it. The respondent should represent that the pricing offered to OCERS is, and will remain, equivalent to or better than that provided to other public pension fund or government clients, or should provide an explanation as to why this representation cannot be provided. All pricing proposals should be “best and final,” although OCERS reserves the right to negotiate on pricing.

13. The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services described in the Scope of Services (Exhibit “A”). Proposers will be required to provide the following information on their audit approach:
 - a. Proposed segmentation of the engagement
 - b. Level of staff and number of hours to be assigned to each proposed segment of the engagement
 - c. Type and extent of sampling techniques to be used in the engagement
14. Identification of Anticipated Potential Audit Problems
 - a. The proposal should identify and describe any anticipated potential audit problems, the firm’s approach to resolving these problems, and any special assistance that will be requested from OCERS’ staff.
15. The proposal should include sample formats for required reports.
16. An explanation of all actual or potential conflicts of interest that the respondent may have in contracting with OCERS.
17. A description of all past, pending, or threatened litigation, including malpractice claims, administrative, state ethics, disciplinary proceedings, and other claims against respondent and/or any of the individuals proposed to provide services to OCERS.
18. Any other information that the respondent deems relevant to OCERS’ selection process.

Section 8: Evaluation Criteria

Responses will be evaluated based upon the following:

1. Experience and reputation of the respondent.
2. Quality of the team proposed to provide services to OCERS, including staffing depth, experience, and turnover.
3. Pricing and value.
4. The organization, completeness, and quality of the proposal.
5. Information provided by references.
6. Other factors OCERS determines to be relevant.

The factors will be considered as a whole, without a specific weighting.

OCERS may require one or more interviews with or personal presentations by finalists to be conducted with staff, Audit Committee, and/or the entire Board of Retirement.

If the information in the proposal is deemed to be insufficient for evaluation, OCERS may request additional information or reject the proposal outright at OCERS’ sole discretion. False, incomplete, or unresponsive statements in connection with a proposal may result in rejection of the proposal.

Section 9: Non-Discrimination Requirement

By submitting a proposal, the respondent represents that it and its subsidiaries do not and will not discriminate against any employee or applicant for employment on the basis of race, religion, color, national origin, ethnic group identification, mental disability, physical disability, medical condition, genetic information, marital status, ancestry, sex, gender, sexual orientation, gender identity, gender expression, age, or military and veteran status.

Section 10: Notice Regarding the California Public Records Act and the Brown Act

The information submitted in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (California Government Code Section 6250, et. seq., the "Act"). The Act provides generally that all records relating to a public agency's business are open to public inspection and copying unless specifically exempted under one of several exemptions set forth in the Act. If a respondent believes any portion of its proposal is exempt from public disclosure or discussion under the Act, the respondent must provide a full explanation and mark such portion "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," and make it readily separable from the balance of the response. Proposals marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY" in their entirety will not be honored, and OCERS will not deny public disclosure of all or any portion of proposals so marked.

By submitting a proposal with material marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," a respondent represents it has a good faith belief that the material is exempt from disclosure under the Act; however, such designations will not necessarily be conclusive, and a respondent may be required to justify in writing why such material should not be disclosed by OCERS under the Act. Fee and pricing proposals are not considered "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY".

If OCERS receives a request pursuant to the Act for materials that a respondent has marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY," and if OCERS agrees that the material requested is not subject to disclosure under the Act, OCERS will either notify the respondent so that it can seek a protective order at its own cost and expense, or OCERS will deny disclosure of those materials. OCERS will not be held liable, however, for inadvertent disclosure of such materials, data, and information or for disclosure of such materials if deemed appropriate in OCERS' sole discretion. OCERS retains the right to disclose all information provided by a respondent.

If OCERS denies public disclosure of any materials designated as “TRADE SECRETS,” “CONFIDENTIAL,” or “PROPRIETARY”, the respondent agrees to reimburse OCERS for, and to indemnify, defend and hold harmless OCERS, its Boards, officers, fiduciaries, employees, and agents from and against:

1. Any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs, and expenses, including, without limitation, attorneys’ fees, expenses, and court costs of any nature whatsoever (collectively, “Claims”) arising from or relating to OCERS’ non-disclosure of any such designated portions of a proposal; and
2. Any and all Claims arising from or relating to OCERS’ public disclosure of any such designated portions of a proposal if OCERS determines disclosure is required by law, or if disclosure is ordered by a court of competent jurisdiction.

Section 11: Contract Negotiations

OCERS will propose a contract to the successful respondent, which will contain such terms as OCERS, in its sole discretion, may require. In addition, the selected firm will agree that this RFP and the firm’s proposal will be incorporated by reference into any resulting contract.

This RFP is not an offer to contract. Acceptance of a proposal neither commits OCERS to award a contract to any respondent, nor does it limit OCERS’ right to negotiate the terms of a contract in OCERS’ best interest, including the addition of terms not mentioned in this RFP. The final contract must, among other terms and conditions required by OCERS, allow OCERS to terminate the contract a) for OCERS’ convenience, b) if funds are not appropriated for the services to be provided, or c) for default.

By submitting a proposal without comment on the OCERS Services Agreement, respondent will be deemed to have agreed to each term in the OCERS Services Agreement, and to not seek any modifications to it. If respondent objects to any term in the OCERS Services Agreement or wishes to modify or add terms to the OCERS Services Agreement, the proposal must identify each objection and propose language for each modification and additional term sought. A rationale should be included for each objection, modification, or addition.

Section 12: Reservations by OCERS

In addition to the other provisions of this RFP, OCERS reserves the right to:

1. Cancel or modify this RFP, in whole or in part, at any time.
2. Make such investigation as it deems necessary to determine the respondent’s ability to furnish the required services, and the respondent agrees to furnish all such information for this purpose as OCERS may request.
3. Reject the proposal of any respondent who is not currently in a position to perform the contract, or who has previously failed to perform similar contracts properly, or in a timely manner, or for any other reason in OCERS’ sole discretion.
4. Waive irregularities, to negotiate in any manner necessary to best serve the public interest, and to make a whole award, multiple awards, a partial award, or no award.

5. Award a contract, if at all, to the firm which will provide the best match to the requirements of the RFP and the service needs of OCERS in OCERS' sole discretion, which may not be the proposal offering the lowest fees.
6. Request additional documentation or information from respondents, which may vary by respondent. OCERS may ask questions of any respondent to seek clarification of a proposal or to ensure the respondent understands the scope of the work or other terms of the RFP.
7. Reject any or all proposals submitted in response to this RFP.
8. Choose to not enter into an agreement with any of the respondents to this RFP or negotiate for the services described in this RFP with a party that did not submit a proposal.
9. Determine the extent, without limitation, to which the services of a successful respondent are or are not actually utilized.
10. Defer selection of a bidder to a time of OCERS' choosing.
11. Consider information about a respondent other than, and in addition to, that submitted by the respondent.

Exhibit A
Scope of Services

A. General

OCERS is soliciting the services of qualified firms of certified public accountants to audit its financial statements for a three year term commencing with the year ending December 31, 2021 and continuing for the next two years ending December 31, 2022 and December 31, 2023. OCERS shall have the right, at its sole option, to renew the contract, on an annual basis, for up to an additional three (3) years.

OCERS is a cost-sharing multiple-employer, defined benefit pension plan consisting of the following participating employers:

City of San Juan Capistrano
County of Orange
Orange County Cemetery District
Orange County Children & Families Commission
Orange County Employees Retirement System
Orange County Fire Authority
Orange County In-Home Supportive Services Public Authority
Orange County Local Agency Formation Commission
Orange County Public Law Library
Orange County Sanitation District
Orange County Transportation Authority
Superior Court of California, County of Orange
Transportation Corridor Agencies

Orange County Department of Education, UCI Medical Center, Capistrano Beach Sanitary District, Cypress Recreation & Parks District, Orange County Mosquito and Vector Control District and the City of Rancho Santa Margarita are no longer active employers, but retired members and their beneficiaries, as well as deferred members, remain in the System.

Plan retirement benefits are tiered based upon date of OCERS membership. Tier I members who were hired prior to September 21, 1979 use their highest twelve months of earnings to determine their retirement allowance. Tier II members hired on or after September 21, 1979 use their highest thirty-six months of earnings to determine their retirement allowance.

Rate Groups are a collection of members who are or were employed by employers that offer similar pension benefit formula(s). Rate Groups exist for the purpose of risk-pooling. The contribution rates developed by the actuary for each Rate Group should, in the long-term, fairly and accurately reflect the benefit plan offered/promised to members in each group. Rate Groups are determined by employer, bargaining unit and benefit plan. For more information about OCERS Rate Group and the various benefit plans offered please refer to the OCERS Comprehensive Annual Financial Report (Annual Report) at <https://www.ocers.org/financial-reports>.

In addition to the above mentioned defined benefit plan, OCERS serves as trustee for the County of Orange (County) and Orange County Fire Authority (OCFA) postemployment health care plan trusts established under Internal Revenue Code section 401(h) which are reported as other postemployment benefit trust funds in OCERS' financial statements. These funds are commingled with pension trust

assets for investment purposes and used exclusively to pay health allowances to eligible retired members of the County and OCFA. The trust funds are financed by employer contributions from the County and the OCFA. The County and OCFA have financial reporting responsibility of the retiree medical plans, including financial statement disclosures and required supplementary information regarding the retiree medical plans funded status and contributions, in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.

OCERS also provides investment advisory services to the Orange County Transportation Authority Health Care Plan pursuant to an agreement established in accordance with Internal Revenue Code section 115. Investments in this plan are not commingled with those of the pension plan and 401(h) plan trusts, but rather are invested in separately managed index funds and recorded as a Custodial Fund in OCERS' financial statements under the financial reporting provisions of GASB Statement No. 84, *Fiduciary Activities*.

B. Scope of Audit

The selected independent auditor will be required to perform the audit with the objective of expressing an opinion about whether OCERS' financial statements are fairly represented, in all material aspects, in conformity with auditing standards generally accepted in the United States of America and all applicable federal and state laws, regulations and rules. In conjunction with the financial statement audit, the auditor will be required to perform an audit of schedules related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* (GASB 68), with the objective of expressing an opinion about whether these schedules are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.

As part of the audit engagement, the auditor will be required to present a report on the fair presentation of the financial statements and separately the GASB 68 schedules to the OCERS' Audit Committee and, if necessary, to the full Board of Retirement. The auditor will also be expected to communicate findings of any significant deficiencies and material weaknesses in internal controls in a written report to the Audit Committee. The minimum number of meetings the auditor will be expected to attend includes two Audit Committee meetings and one Board of Retirement meeting. The auditor may be requested to attend additional meetings if needed.

C. Auditing Standards to be Followed

To meet the requirements of this request for proposal, the audit shall be performed 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*, issued by the Comptroller General of the United States and the provisions contained within this request for proposal. The auditor will utilize all applicable components of these standards in auditing, preparing and reporting on the financial statements of OCERS.

D. Working Paper Retention

All working papers and reports must be retained at the auditor's expense for a minimum of five (5) years, unless the firm is notified by OCERS of the need to extend the retention period. The auditor will be required to make working papers available to OCERS upon request. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

E. Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the OCERS' Audit Committee.

F. Special Considerations

OCERS participates in the GFOA's Certificate of Achievement for Excellence in Financial Reporting program. The auditor will review OCERS' Annual Report for compliance with the program. OCERS may also require additional services or advice to ensure new Government Accounting Standards Board (GASB) reporting requirements are properly applied.

G. Staff Availability

OCERS accounting and finance personnel will be available to the audit team. Staff will prepare reports and documents as requested by the audit team on a timely basis. OCERS prepared schedules and reports will include, but are not limited to, the following:

1. Preliminary Trial Balance and Financial Statements
2. Reconciled subsidiary ledgers and accounts
3. Bank Reconciliations
4. Confirmations
5. Analytical review
6. Note Disclosures

H. Work Area

Work will be performed at OCERS headquarters in a functional work area, the firm offices, or by remote access. OCERS will provide the audit team with necessary equipment and read-only access to the relevant systems' applications.

I. Report Preparation

The preparation and detail review of the Annual Report will be completed by the finance staff. OCERS intends to engage a graphic design firm to produce the Annual Report which will be printed and digitally published.

Exhibit B
MINIMUM QUALIFICATIONS CERTIFICATION

All firms submitting a proposal in response to this RFP are required to sign and return this attachment, along with written evidence of how the respondent meets each qualification.

The undersigned hereby certifies that it fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

Minimum Qualifications include:

1. The firm should have at least five (5) years prior experience in auditing governmental agencies and/or public pension funds.
2. The Engagement Partner must be licensed to practice in the State of California as a certified public accountant, and must demonstrate a strong knowledge of governmental accounting and auditing requirements based on prior experience leading audits of governmental agencies, or large pension or retirement systems with at least \$1 billion in plan net assets.
3. The firm should be licensed to practice in the state of California and be in good standing with the state.

The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.

Authorized Signature

Date

Name and Title (please print)

Name of Firm

Exhibit C

PROPOSAL COVER PAGE AND CHECK LIST (TO BE SUBMITTED IN FIRM'S LETTERHEAD)

Respondent Name:

Respondent Address:

By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to comply with all requirements.

Respondent specifically acknowledges the following:

1. Respondent possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
2. Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of services.
3. The fee schedule submitted in response to the RFP is for the entire scope of services and no extra charges or expenses will be paid by OCERS.
4. Respondent has completely disclosed to OCERS all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of OCERS, or other officer, agent, or employee of OCERS presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
5. Materials contained in the proposal and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the California Public Records Act.
6. Respondent is not currently under investigation by any state or federal regulatory agency for any reason.
7. Except as specifically noted in the proposal, respondent agrees to all of the terms and conditions included in OCERS Services Agreement.
8. The signatory below is authorized to bind the respondent contractually.

Exhibit D

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM AGREEMENT FOR SERVICES

This Agreement for Services (“Agreement”) is entered into this [REDACTED] day of [REDACTED], 20[REDACTED] (the “Effective Date”) by and between the Orange County Employees Retirement System, (“OCERS”) and [REDACTED] (“Contractor”). OCERS and Contractor are sometimes individually referred to as “Party” and collectively as “Parties.” The Parties hereby agree as follows:

1. PURPOSE.

1.1 Project.

Contractor desires to perform and assume responsibility for the provision of certain services required by OCERS on the terms and conditions set forth in this Agreement and OCERS desires to engage Contractor to render such services for **financial auditing services** as set forth in this Agreement and its attached exhibits.

2. TERMS.

2.1 Scope of Services. Contractor promises and agrees to furnish to OCERS all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately supply all services provided under this Agreement, (“Services”) as more particularly described in the attached **Exhibit “A”** (“Scope of Services”). All Services shall be subject to, and performed in accordance with, this Agreement, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state, and federal laws, rules, and regulations. Contractor represents and warrants to OCERS that it will perform the Services in a professional and workmanlike manner, in accordance with best industry standards and practices used in well-managed operations performing services similar to the Services.

2.2 Term. The term of this Agreement shall commence upon the Effective Date and will continue for thirty-six (36) months from the Effective Date (“Initial Term”), unless earlier terminated as provided herein. The Parties may, by mutual written agreement, extend the Initial Term for up to three (3) additional twelve (12) month periods. In no event shall the total term of the Agreement exceed seventy-two (72) months.

2.3 Consideration.

2.3.1 Compensation. Contractor shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement as set forth in **Exhibit “B”** (“Fee Schedule”).

2.3.2 Invoices and Payment. Contractor shall submit to OCERS monthly itemized invoices as required by Exhibit B, "Fee Schedule." OCERS shall pay all approved charges within net thirty (30) days of receiving such invoice.

2.4 Responsibilities of Contractor.

2.4.1 Independent Contractor. The Services shall be performed by Contractor or by Contractor's employees under Contractor's supervision. Contractor will determine the means, methods, and details of performing the Services subject to the requirements of this Agreement. Contractor is an independent contractor and not an employee of OCERS. Except as OCERS may agree in writing, Contractor shall have no authority, expressed or implied, to act on behalf of OCERS in any capacity whatsoever as an agent of OCERS. Any additional personnel performing the Services under this Agreement on behalf of Contractor will also not be employees of OCERS and will at all times be under Contractor's exclusive direction and control.

2.4.2 Payment of Subordinates. Contractor will pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Contractor shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

2.4.3 Licensing. Contractor represents that it, its employees and subcontractors have all licenses, permits, qualifications, and approvals of whatever nature that are legally required to perform the Services, and that such licenses and approvals shall be maintained throughout the term of this Agreement.

2.4.4 Conformance to Applicable Requirements. All work prepared by Contractor shall be subject to the approval of OCERS.

2.4.5 Substitution of Key Personnel. *Contractor has represented to OCERS that certain key personnel will perform and coordinate the Services under this Agreement ("Key Personnel"). The Key Personnel assigned to this Agreement are identified in the attached Exhibit "C" ("Key Personnel"). Key Personnel will be available to perform Services under the terms and conditions of this Agreement immediately upon commencement of the term of this Agreement. Should one or more of such Key Personnel become unavailable, Contractor may substitute other personnel of at least equal competence upon written approval of OCERS. Contractor shall provide OCERS written notification detailing the circumstances of the unavailability of the Key Personnel and designating replacement personnel prior to the effective date of the unavailability of such Key Personnel, to the maximum extent feasible, but no later than five (5) business days after the date of the Key Personnel's unavailability. OCERS will have the right to approve or disapprove the reassignment or substitution of Contractor Key Personnel for any reason at OCERS' sole discretion. In the event that OCERS and Contractor cannot agree as to the substitution of Key Personnel, OCERS will be entitled to terminate this Agreement for cause.*

2.4.6 Removal of Key Personnel. Contractor agrees to remove any Key Personnel from performing work under this Agreement within twenty-four (24) hours or as soon thereafter as is practicable if reasonably requested to do so by the OCERS.

2.4.7 Laws and Regulations. Contractor shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations in any manner affecting the performance of the Services, including all Cal/OSHA requirements, and shall give all notices required by law. Contractor shall be liable for all violations of such laws and regulations in connection with Services. If the Contractor performs any work knowing it to be contrary to such laws, rules, and regulations, Contractor shall be solely responsible for all costs arising therefrom.

2.4.8 Labor Code Provisions.

(a) Prevailing Wages. Contractor is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq. (“Prevailing Wage Laws”), which require the payment of prevailing wage rates and the performance of other requirements on “public works” and “maintenance” projects. If the Services are being performed as part of an applicable “public works” or “maintenance” project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Contractor agrees to fully comply with such Prevailing Wage Laws. Contractor shall comply with all prevailing wage requirements under the California Labor Code and Contractor shall forfeit as penalty to OCERS a sum of not more than \$200.00 for each calendar day, or portion thereof, for each worker paid less than the prevailing rates. This penalty shall be in addition to any shortfall in wages paid. OCERS has obtained the general prevailing rate of wages, as determined by the Director of the Department of Industrial Relations (“DIR”), a copy of which is on file in OCERS’s office and shall be made available for viewing to any interested party upon request. Contractor shall make copies of the prevailing rates of per diem wages for each craft, classification, or type of worker needed to execute the Services available to interested parties upon request and shall post copies at the Contractor’s principal place of business and at the site where Services are performed.

(b) Registration and Labor Compliance. If the Services are being performed as part of an applicable “public works” or “maintenance” project, then, in addition to the foregoing, pursuant to Labor Code sections 1725.5 and 1771.1, Contractor and all subcontractors must be registered with the DIR. Contractor shall maintain registration for the duration of this Agreement and require the same of any subcontractors. The Services may also be subject to compliance monitoring and enforcement by the DIR. It shall be Contractor’s sole responsibility to comply with all applicable registration and labor compliance requirements, including the submission of payroll records directly to the DIR.

(c) Labor Certification. By its signature hereunder, Contractor certifies that it is aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for Workers’ Compensation or to

undertake self-insurance in accordance with the provisions of that Code and agrees to comply with such provisions before commencing the performance of the Services.

2.4.9 Accounting Records. Contractor shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Contractor shall allow a representative of OCERS during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Contractor shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of four (4) years from the date of final payment under this Agreement.

2.5 Representatives of the Parties.

2.5.1 OCERS' Representative. OCERS hereby designates its Chief Executive Officer, or their designee, to act as its representative for the performance of this Agreement ("OCERS' Representative"). Contractor shall not accept direction or orders from any person other than the OCERS' Representative.

2.5.2 Contractor's Representative. Contractor hereby designates [name or title], or their designee, to act as its representative for the performance of this Agreement ("Contractor's Representative"). Contractor's Representative shall have full authority to represent and act on behalf of the Contractor for all purposes under this Agreement. The Contractor's Representative shall supervise and direct the Services, using their best skill and attention, and shall be responsible for all means, methods, techniques, sequences, and procedures and for the satisfactory coordination of all portions of the Services under this Agreement.

2.6 Indemnification.

To the fullest extent permitted by law, Contractor shall immediately indemnify and hold OCERS, the members of the OCERS Board of Retirement (each a "Board member"), and OCERS' officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage, or injury of any kind, in law or equity, to property or persons, including wrongful death (collectively, "Indemnity Claims"), in any manner arising out of, pertaining to, or incident to any alleged acts, errors, omissions, or negligence of Contractor, its officials, officers, employees, subcontractors, contractors, or agents in connection with the performance of the Services, or this Agreement, including without limitation the payment of all consequential damages, and attorneys' fees and costs, including expert witness fees. Contractor's duty to indemnify does not extend to the Indemnity Claims caused by OCERS sole negligence or willful misconduct.

Contractor shall immediately defend, with legal counsel reasonably agreed to by OCERS and at Contractor's own cost, expense, and risk, any and all claims, suits, actions, or other proceedings of every kind that may be brought or instituted against OCERS or its Board members, officials, officers, employees, volunteers, and agents; excluding, however, such

claims, suits, actions, or other proceedings arising from OCERS' sole negligence or willful misconduct. Contractor shall control the defense or settlement of any such action, except that Contractor will not have the right to settle or compromise the claim without the consent of OCERS. Contractor shall pay and satisfy any judgment, award, or decree that may be rendered against OCERS or its Board members, officials, officers, employees, volunteers, and agents as part of any such claim, suit, action, or other proceeding. Contractor shall also reimburse OCERS for the cost of any settlement paid by OCERS or its Board members, officials, officers, employees, agents, or volunteers as part of any such claim, suit, action, or other proceeding. Such reimbursement shall include payment for OCERS' attorneys' fees and costs, including expert witness fees. Contractor's obligation to defend and indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by OCERS, its Board, officials, officers, employees, agents, or volunteers.

Notwithstanding the foregoing, to the extent the Services are subject to Civil Code Section 2782.8, the above indemnity and duty to defend shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Contractor.

2.7 Insurance

2.7.1 Time for Compliance. Contractor shall not commence work under this Agreement until it has provided evidence satisfactory to OCERS that it has secured all insurance required under this Section 2.7. In addition, Contractor shall not allow any subcontractor to commence work on any subcontract until Contractor has provided evidence satisfactory to OCERS that the subcontractor has secured all insurance required under this section. Failure to provide and maintain all required insurance shall be grounds for the OCERS to terminate this Agreement for cause.

2.7.2 Minimum Requirements. Contractor shall, at its expense, procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Contractor, its agents, representatives, employees, or subcontractors. Contractor shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(a) Commercial General Liability. Coverage for commercial general liability insurance shall be at least as broad as Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001). Contractor shall maintain limits no less than two million dollars (\$2,000,000) per occurrence, or the full per occurrence limits of the policies available, whichever is greater, for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with general aggregate limit or product-completed operations aggregate limit is used, including but not limited to form CG 2503, either the general aggregate limit shall apply separately to this Agreement or the general aggregate limit shall be twice the required occurrence limit.

(b) Automobile Liability. Coverage shall be at least as broad as the latest version of the Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto). Contractor shall maintain limits no less than one million dollars (\$1,000,000) per accident for bodily injury and property damage. The automobile liability policy shall cover all owned, non-owned, and hired automobiles.

(c) Workers' Compensation and Employer's Liability Insurance. Contractor shall maintain Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance in an amount no less than one million dollars (\$1,000,000) per accident for bodily injury or disease. The insurer shall agree to waive all rights of subrogation against OCERS, its Board of Trustees, officials, officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Contractor.

(d) Professional Liability. Contractor shall procure and maintain, and require its subcontractors to procure and maintain, for a period of five (5) years following the termination or expiration of this Agreement, errors and omissions liability insurance appropriate to their profession covering Contractor's wrongful acts, negligent actions, errors, or omissions. The retroactive date (if any) is to be no later than the effective date of this Agreement. Contractor shall purchase a one-year extended reporting period: i) if the retroactive date is advanced past the effective date of this Agreement; ii) if the policy is canceled or not renewed; or iii) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement. Such insurance shall be in an amount not less than two million dollars (\$2,000,000) per claim.

(e) Excess Liability. The limits of insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess coverage shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of OCERS (if agreed to in a written contract or agreement) before OCERS's own primary or self-insurance shall be called upon to protect it as a named insured. The policy shall be endorsed to state that OCERS, its Board, officials, officers, employees, agents, and volunteers shall be covered as additional insured at least as broad a form as CG 20 10 11 85 or the latest versions of both CG 20 10 and CG 20 37. The coverage shall contain no special limitations on the scope of protection afforded to OCERS, its Board, officials, officers, employees, agents, and volunteers.

2.7.3 All Coverages. The general liability and automobile liability policy shall include or be endorsed to state that: (1) OCERS, its Board, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to work by or on behalf of the Contractor, including materials, parts, or equipment furnished in connection with such work using as broad a form as CG 20 10 11 85 or the latest versions of both CG 20 10 and CG 20 37; and (2) the insurance coverage shall be primary insurance as respects the OCERS, its directors, officials, officers, employees, agents, and volunteers using as broad a form as CG 20 01 04 13, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor's scheduled

underlying coverage. Any insurance or self-insurance maintained by OCERS, its Board members, officials, officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not be called upon to contribute with it in any way.

(a) The insurance policies required above shall contain or be endorsed to contain the following specific provisions:

(i) The policies shall contain a waiver of transfer rights of recovery ("waiver of subrogation") against OCERS, its Board members, officers, employees, agents, and volunteers, for any claims arising out of the work of Contractor.

(ii) Policies may provide coverage which contains deductible or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to OCERS under such policies. Contractor shall be solely responsible for deductible and/or self-insured retention and OCERS, at its option, may require Contractor to secure the payment of such deductible or self-insured retentions by a surety bond or an irrevocable and unconditional letter of credit. The insurance policies that contain deductibles or self-insured retentions in excess of \$25,000 per occurrence shall not be acceptable without the prior approval of OCERS.

(iii) Prior to start of work under this Agreement, Contractor shall file with OCERS evidence of insurance as required above from an insurer or insurers certifying to the required coverage. The coverage shall be evidenced on a certificate of insurance signed by an authorized representative of the insurer(s).

(iv) Each policy required in this section shall contain a policy cancellation clause that provides the policy shall not be cancelled or otherwise terminated by the insurer or the Contractor or reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to OCERS, Attention: **Jim Doezie**

(v) Insurance required by this Agreement shall be placed with insurers licensed by the State of California to transact insurance business of the types required herein. Each insurer shall have a current Best Insurance Guide rating of not less than A: VII unless prior approval is secured from OCERS as to the use of such insurer.

(vi) Contractor shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

2.7.4 Reporting of Claims. Contractor shall report to OCERS, in addition to Contractor's insurer, any and all insurance claims submitted by Contractor in connection with the Services under this Agreement.

2.8 Termination of Agreement. OCERS may, by written notice to Contractor, terminate the whole or any part of this Agreement without liability to OCERS if Contractor fails to perform or breaches any of the terms contained herein. In addition, either Party may terminate this Agreement for any reason or for no reason on thirty (30) days' written notice to the other Party. Upon termination, Contractor shall be compensated only for those Services that have been performed and delivered to OCERS' satisfaction, and Contractor shall be entitled to no further compensation.

2.9 Ownership of Materials and Confidentiality.

2.9.1 Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for OCERS to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Contractor under this Agreement ("Documents & Data"). Contractor shall deliver to OCERS on demand or upon the termination or expiration of this Agreement, all such Documents & Data which shall be and remain the property of the OCERS. If OCERS uses any of the data, reports, and documents furnished or prepared by Contractor for use in Services other than as shown on Exhibit A, Contractor shall be released from responsibility to third parties concerning the use of the data, reports, and documents. Contractor may retain copies of the materials. OCERS may use or reuse the materials prepared by Contractor without additional compensation to Contractor.

2.9.2 Confidential Information. Any financial, statistical, personal, technical, and other data and information relating to a Party's operations which are made available to the other Party in order to carry out this Agreement shall be reasonably protected by such other Party from unauthorized use, except to the extent that disclosure thereof is required to comply with applicable law, including the California Public Records Act. The disclosing Party shall identify all confidential data and information at the time it is provided. Confidentiality does not apply to information which is known to a receiving Party from other sources, which is otherwise publicly available, or which is required to be disclosed pursuant to an order or requirements of a regulatory body or a court.

2.9.3 Customer Data. Contractor acknowledges that it may receive confidential information from OCERS or otherwise in connection with this Agreement or the performance of the Services, including personally identifiable information of OCERS' customers ("Customer Data"). Except for information in the public domain, unless such information falls into the public domain by disclosure or other acts of OCERS or through the fault of OCERS, Contractor agrees:

- (a) To maintain Customer Data in confidence;

- Agreement;
- (b) Not to use Customer Data other than in the course of this Agreement;
 - (c) Not to disclose or release Customer Data except on a need-to-know only basis;
 - (d) Not to disclose or release Customer Data to any third person without the prior written consent of OCERS, except for authorized employees or agents of Contractor;
 - (e) To promptly notify OCERS in writing of any unauthorized release of confidential information, including Customer Data;
 - (f) To take all appropriate action, whether by instruction, agreement or otherwise, to ensure that third persons with access to the information under the direction or control or in any contractual privity with Contractor, do not disclose or use, directly or indirectly, for any purpose other than for performing the Services during or after the term of this Agreement, any confidential information, including Customer Data, without first obtaining the written consent of OCERS;
 - (g) Upon request by OCERS and upon the termination or expiration of this Agreement for any reason, Contractor shall promptly return to OCERS all copies, whether in written, electronic, or other form or media, of Customer Data in its possession or in the possession of its employees or agents, or securely dispose of all such copies, and certify in writing to OCERS that such Customer Data has been returned to OCERS or disposed of securely; and
 - (h) That the requirements in this Section 2.9.3 shall survive the expiration or termination of this Agreement.

2.9.4 Disclosure. Except as may be required by applicable law, neither Party shall make any disclosure of any designated confidential information related to this Agreement without the specific prior written approval from the other of the content to be disclosed and the form in which it is disclosed, except for such disclosures to the Parties' financing sources, other secured parties, creditors, beneficiaries, partners, members, officers, employees, agents, consultants, attorneys, accountants, and exchange facilitators as may be necessary to permit each Party to perform its obligations hereunder and as required to comply with applicable laws or rules of any exchange upon which a Party's shares may be traded. Notwithstanding the foregoing, nothing contained herein shall be deemed to restrict or prohibit OCERS from complying with applicable law regarding disclosure of information, including the California Public Records Act.

2.9.5 Publicity. Contractor shall not use OCERS' name or insignia, photographs of OCERS property, or any publicity pertaining to the Services in any

advertisement, magazine, trade paper, newspaper, television, or radio production, or other similar medium without the prior written consent of OCERS.

2.10 Subcontracting/Subconsulting.

2.10.1 Prior Approval Required. Contractor shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of OCERS. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Contractor will be solely responsible for the payment of all subcontractors and other third parties engaged by or through Contractor to provide, perform, or assist in the provision and delivery of the Services.

3. General Provisions.

3.1.1 Notices. All notices permitted or required under this Agreement shall be given to the respective Parties at the following address, or at such other address as the respective Parties may provide in writing for this purpose:

OCERS:

**Orange County Employees Retirement System
2223 E. Wellington Avenue
Santa Ana, CA 92701
Attention: Jim Doezie
e-mail: jdoezie@ocers.org**

Contractor:

Such notice shall be deemed made when personally delivered or when mailed, upon deposit in the U.S. Mail, first class postage prepaid and registered or certified addressed to the Party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

3.1.2 Equal Opportunity Employment. Contractor represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee, or applicant for employment because of race, religion, color, national origin, ethnic group identification, mental disability, physical disability, medical condition, genetic information, marital status, ancestry, sex, gender, sexual orientation, gender identity, gender expression, age, or military and veteran status. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff, or termination.

3.1.3 Time of Essence. Time is of the essence for each and every provision of this Agreement. The acceptance of late performance shall not waive the right to claim damages for such breach nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

3.1.4 OCERS' Right to Employ Other Contractors. OCERS reserves the right to employ other contractors in connection with the Services.

3.1.5 Successors and Assigns. This Agreement shall be binding on the successors and assigns of the Parties.

3.1.6 Assignment or Transfer. Contractor shall not assign, hypothecate, or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of OCERS.

3.1.7 Amendment. This Agreement may not be altered or amended except in a writing signed by both Parties.

3.1.8 Waiver. All waivers under this Agreement must be in writing to be effective. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition.

3.1.9 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

3.1.10 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

3.1.11 Governing Law; Venue. This Agreement shall be governed by the laws of the State of California. The exclusive venue for any dispute arising out of or relating to this Agreement shall be in Orange County, California.

3.1.12 Attorneys' Fees. If either Party commences an action against the other Party, either legal, administrative, or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorneys' fees and all other costs of such action.

3.1.13 Authority to Enter Agreement. Contractor has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

3.1.14 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

3.1.15 Integration. This Agreement represents the entire understanding of OCERS and Contractor as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. Neither Party shall be deemed to be the drafter of this Agreement and no presumption for or against the drafter shall be applicable in interpreting or enforcing this Agreement.

3.1.16 Precedence. In the event of any conflict, inconsistency, or ambiguity between the terms and conditions in the main body of this Agreement and the terms and conditions in any exhibit, the main body of this Agreement shall control. This Agreement and all attached exhibits will be construed to be consistent, insofar as reasonably possible. When interpreting this Agreement, precedence shall be given to its respective parts and amendments in the following descending order:

- (a) Amendments to this Agreement entered into pursuant to Section 3.1.7 herein.
- (b) This Agreement.
- (c) Exhibit A: Scope of Services, Exhibit B: Fee Schedule, and Exhibit C: Key Personnel.
- (d) OCERS Request for Proposal dated July, 2021, attached as Exhibit "D".
- (e) Contractor's Response to OCERS Request for Proposal, attached as Exhibit "E".

IN WITNESS WHEREOF, the Parties hereby have caused this Agreement to be executed on the Effective Date:

APPROVED:

APPROVED:

OCERS

[CONTRACTOR]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

By: _____

Name: _____

Title: _____

EXHIBIT A
SCOPE OF SERVICES

Starting on the Effective Date, and continuing during the Term, Contractor will perform the Services in accordance with the terms of the Agreement. The Services consist of:

Auditing the financial statements of OCERS and the related notes to the financial statements, which collectively comprise the basic financial statements of OCERS as of and for the years ended December 31, 2021, 2022, and 2023, with an option to renew the contract, on an annual basis, for up to an additional three (3) years. The objective of the audit is to express an opinion about whether OCERS' financial statements are fairly represented, in all material aspects, in conformity with auditing standards generally accepted in the United States of America and all applicable federal and state laws, regulations and rules. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement OCERS' basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

As part of the engagement, Contractor will apply certain limited procedures to OCERS' RSI in accordance with auditing standards general accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to your inquiries, the basic financial statements, and other knowledge you obtained during your audit of the basic financial statements. Contractor will not express an opinion or provide any assurance on the information because the limited procedures do not provide you with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Schedule of Changes in Net Pension Liability of Participating Employers
3. Schedule of Investment Returns
4. Schedule of Employer Contributions
5. Notes to the Required Supplementary Information
6. Significant Factors Affecting Trends in Actuarial Information – Pension Plan

Contractor will also be engaged to report on supplementary information other than RSI that accompanies OCERS' financial statements. Contractor will subject the following supplementary information to the audited procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of American and Contractor will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of Contributions
2. Schedule of Administrative Expenses
3. Schedule of Investment Expenses
4. Schedule of Payments for Professional Services

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in the audit of the financial statements, and the auditor's report will not provide an opinion or any assurance on that other information:

1. Introductory Section
2. Investment Section
3. Actuarial Section
4. Statistical Section

In conjunction with the financial statement audit, the auditor will be required to perform an audit of schedules related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* (GASB 68). The objective of the audit is to express an opinion about whether these schedules, the employer allocations and the total for all employers of the rows titled deferred outflows of resources, deferred inflows of resources, net pension liability (asset) and total pension expense excluding employer-paid member contributions (specified row totals) included in the Schedule of Allocated Pension Amounts by Employer of the Orange County Employees Retirement System Cost-Sharing Multiple-Employer Defined Benefit Pension Plan and the related notes, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.

As part of the audit engagement, the auditor will be required to present a report on the fair presentation of the financial statements and separately the GASB 68 schedules to the OCERS' Audit Committee and, if necessary, to the full Board of Retirement. The auditor will also be expected to communicate findings of any significant deficiencies and material weaknesses in internal controls in a written report to the Audit Committee. The minimum number of meetings the auditor will be expected to attend includes two Audit Committee meetings and one Board of Retirement meeting. The auditor may be requested to attend additional meetings if needed.

The audit of the year ended December 31, 2021 is expected to begin on approximately April 4, 2022 and reports issued no later than June 3, 2022.

**EXHIBIT B
FEE SCHEDULE**

1. **Fees and Expenses.** Contractor agrees to accept the compensation set forth in this Exhibit B as full payment for performing all Services, including all staffing and materials required, for any reasonably unforeseen difficulties which may arise or be encountered in the execution of the Services, for risks connected with the Services, and for performance by Contractor of all its duties and obligations under the Agreement. OCERS will pay the following fees in accordance with the provisions of this Agreement:
 - XXXX
 - *[provision for expense reimbursement]*

2. **Payment Terms – Payment in Arrears:** Invoices are to be submitted in arrears to OCERS unless otherwise directed in this Agreement. Payment by OCERS will be net thirty (30) days after receipt and approval of an invoice in a format acceptable to OCERS.

3. **Payment – Invoicing Instructions:** Contractor will provide an invoice on the Contractor’s letterhead for services rendered under this Agreement. Each invoice will have a number and will include the following information:
 - a. Contractor’s name and address
 - b. Contractor’s remittance address, if different from item #1 above
 - c. Contractor’s Taxpayer ID Number
 - d. Name of OCERS Agency/Department
 - e. Delivery/service address
 - f. Agreement number
 - g. Agency/Department’s Account Number
 - h. Date of invoice
 - i. Description and price of services provided
 - j. Sales tax, if applicable
 - k. Freight/delivery charges, if applicable
 - l. Total

Invoice and support documentation are to be forwarded to:

Orange County Employees Retirement System
2223 E. Wellington Avenue
Santa Ana, CA 92701
Attention: Accounts Payable
Email: Accountspayable@ocers.org

EXHIBIT C
KEY PERSONNEL

Exhibit D
Request for Proposal

Exhibit E
Response to Request for Proposal



**INSPIRED TO
REACH NEW
HEIGHTS**



September 3, 2021

Proposal to Provide Financial Auditor Services for

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Submitted By:

Eide Bailly LLP
Brad Berls, CPA
Partner

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

TABLE OF CONTENTS

1. Minimum Qualifications Certification..... 1

2. Proposal Cover Page and Check List 3

3. Executive Summary 4

4. Firm Description..... 6

 a. Firm history 6

 b. Ownership structure. 7

 c. Office locations. 8

 d. Organization chart..... 8

 e. Number of employees. 8

 f. Annual revenues. 9

 g. Scope of services offered..... 9

 h. Eide Bailly’s specialties, strengths, and limitations10

 i. The average retention rate (years of service) of the firm’s other clients14

5. Team Qualifications.....15

6. Partner Rotation19

7. Staff Continuity19

8. State and National Industry Groups19

9. References.....23

10. Licenses and Certifications24

11. Standard Engagement Letter24

12. Pricing Proposal Explanation.....25

13. Services Work Plan.....26

 a. Proposed Segmentation of the Engagement.....26

 b. Level of Staffing and Number of Hours.....32

 c. Sample Size and Statistical Sampling Used in the Engagement32

14. Identification of Anticipated Potential Audit Problems.....44

15. Sample Formats47

16. Conflict of Interest47

17. Litigation47

18. Other Information.....48

Appendix A – Team Profiles50

Appendix B – Licenses and Certifications59

Appendix C – Peer Review62

Appendix D – Engagement Letter Sample63

Appendix E –Contract Suggestions70

Appendix F – GASB Standards.....74

Appendix G – Sample Reports.....76

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

1. Minimum Qualifications Certification

Exhibit B
MINIMUM QUALIFICATIONS CERTIFICATION

All firms submitting a proposal in response to this RFP are required to sign and return this attachment, along with written evidence of how the respondent meets each qualification.

The undersigned hereby certifies that it fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

Minimum Qualifications include:

1. The firm should have at least five (5) years prior experience in auditing governmental agencies and/or public pension funds.
2. The Engagement Partner must be licensed to practice in the State of California as a certified public accountant, and must demonstrate a strong knowledge of governmental accounting and auditing requirements based on prior experience leading audits of governmental agencies, or large pension or retirement systems with at least \$1 billion in plan net assets.
3. The firm should be licensed to practice in the state of California and be in good standing with the state.

The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.



Authorized Signature

September 3, 2021

Date

Brad Berls, CPA - Partner

Name and Title (please print)

Eide Bailly LLP

Name of Firm

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Minimum Qualifications – Written Evidence

1. The firm should have at least five (5) years prior experience in auditing governmental agencies and/or public pension funds.

Eide Bailly has provided similar services to government agencies for more than 70 years and more than 15 years serving public pension funds. Refer to **Section 4.h.** for details on our experience in these industries.

2. The Engagement Partner must be licensed to practice in the State of California as a certified public accountant, and must demonstrate a strong knowledge of governmental accounting and auditing requirements based on prior experience leading audits of governmental agencies, or large pension or retirement systems with at least \$1 billion in plan net assets.

Brad Berls, through mobility, is a licensed Certified Public Accountant (CPA) able to practice in the state of California. He is the lead partner on a number of similar large pensions, retirement systems and government agencies with more than \$1 billion in plan net assets. See **Section 5** for further information.

3. The firm should be licensed to practice in the state of California and be in good standing with the state.

Eide Bailly is licensed to practice in the state of California and is in good standing with the state. We have included copies of our certificates and licenses in **Appendix B.**

2. Proposal Cover Page and Check List

Respondent Name: Eide Bailly LLP

Respondent Address: 25231 Paseo De Alicia, Ste. 100, Laguna Hills, California 92653

By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to comply with all requirements.

Respondent specifically acknowledges the following:

1. Respondent possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
2. Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of services.
3. The fee schedule submitted in response to the RFP is for the entire scope of services and no extra charges or expenses will be paid by OCERS.
4. Respondent has completely disclosed to OCERS all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of OCERS, or other officer, agent, or employee of OCERS presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
5. Materials contained in the proposal and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the California Public Records Act.
6. Respondent is not currently under investigation by any state or federal regulatory agency for any reason.*
7. Except as specifically noted in the proposal, respondent agrees to all of the terms and conditions included in OCERS Services Agreement.
8. The signatory below is authorized to bind the respondent contractually.

Sincerely,



Brad Berls, CPA

Partner

208.383.4712 | bberls@eidebailly.com

** No member of the engagement team assigned to OCERS has been the subject of investigation or action by any law enforcement or regulatory agency in the past five years. The firm and its partners, as well as our clients, may periodically be the subject of investigations, formal or informal inquiries, or requests for information from a variety of regulatory agencies. It is the policy of the firm not to discuss these matters, or any client-related matters, outside of the firm. It is the firm's opinion that none of these activities have a material impact to the firm.*

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

3. Executive Summary

WE WANT TO WORK WITH YOU

Thank you for giving Eide Bailly the opportunity to propose on financial auditor services for Orange County Employees Retirement System (“OCERS”). We’ve served the government industry for more than 70 years and annually serve more than 1,200 government clients nationwide. One of our specialties is providing accounting and assurance services for state retirement funds and investment pools, with more than \$360 billion in total assets nationwide. The professional staff working on these retirement funds and investment pools will bring a wealth of investment experience and expertise to OCERS.

We are excited for the possibility to serve as your auditors; we can bring many benefits and efficiencies to the audit process. With Eide Bailly, OCERS will be getting a firm with national resources and a personal touch.

Why Eide Bailly

Public Pension Plan Experience

The government industry is Eide Bailly’s largest practice and within the industry, the public plan sector is one of our largest focus areas. To exceed client expectations, we invest heavily in the training and development of our government service professionals. We have teams that specialize in providing assurance services for municipal and statewide retirement and healthcare funds, college savings plans and investment pools. These team members specialize in all aspects of investments, including those similar in size and complexity to OCERS.

Government Industry and GASB Involvement

We provide audit services for a variety of state pensions, investment pools, cities, counties, colleges and universities, housing authorities, school districts, state agencies and tribal entities. Through serving these clients, our professionals have gained focused expertise in the government industry and will provide you with insightful advice that aids in managing the finances of OCERS. One of our senior managers is serving at the Governmental Accounting Standards Board (GASB) as a fellow until 2022, and we attend meetings and serve on GASB task forces. We are confident no other firm can offer OCERS this expertise and industry commitment.

Thought Leadership

We are involved with Public Pension Financial Forum (P2F2) as sponsors and have presented for several years at the annual P2F2 conference. We also attend the National Association of State Retirement Administrators (NASRA) annual conference as sponsors. Our involvement with these conferences shows our dedication to the industry and helps us stay up to date on current trends and issues.



EXPERIENCE

Our experienced professionals are committed to the industries we serve. We focus on training, and we like to think of ourselves as thought leaders.

PEOPLE

We’re a team of collaborators and innovators. Our culture is the heart of our firm, and we’re always working together to do things differently and better.

COMMUNICATION

Open, honest, frequent communication ensures that you’re not in for any surprises. We’ll stay in touch throughout the year so you feel understood, connected and confident.

CORPORATE RESPONSIBILITY

We consider ourselves good corporate citizens—caring for our people, giving back to our communities, and taking care of our environment.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

 **Timeliness**

We will meet your deadlines. Our professionals are trained to anticipate, identify and respond to your needs in a timely manner. We believe in clear, up-front and open communication with no surprises. We understand and will comply with the schedules and scope for the audit, as outlined in your request and we will perform all work within the timeframes outlined.


 **Smooth Transition**

We understand the transition between professional services firms can be inconvenient to management and staff. We understand this concern and realize the decision to change service providers is not one to be taken lightly. We will manage the transition to minimize demands on your employees and ensure a timely first-year audit in accordance with professional standards. Our goal is to make the transition as smooth as possible. With our experience in transitioning many clients (including pension plans) from preceding professional service providers, we have fine-tuned the process with minimal disruption of client activities.

 **Unique Strengths**

We are confident that the assembled team has the required expertise to professionally and efficiently provide the services that OCERS deserves. If any member of the team does not have the solution, they will find other professionals in the firm that can provide the answers. OCERS' team will always have access to these professionals and the unique capabilities they can bring to the engagement. Additional strengths of your team are as follows:

- The team assigned specializes and works with multiple complex investment clients.
- Our commitment to serving government pension plans can be seen in our thought leadership, the number of staff that specialize in this industry, the type of training we provide and the growth we have seen in the past five years.
- Our collaborative audit style as we report to and are responsible to the Audit Committee/Board and work with management as part of the audit process.

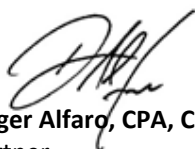
 **We Want to Work with You.** We've developed the following proposal with Orange County Employees Retirement System in mind, and we'll provide timely, personalized financial auditor services for you.

The following pages highlight our firm's strengths and demonstrate why Eide Bailly merits serious consideration. Know that you will be a highly valued client. Our people would be proud to work with Orange County Employees Retirement System and build a trusting relationship with your team. Please contact us if you would like to discuss any aspect of this proposal.

Sincerely,



Brad Berls, CPA
Partner
208.383.4711
bberls@eidebailly.com



Roger Alfaro, CPA, CITP
Partner
909.755.2829
ralfaro@eidebailly.com

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM



4. Firm Description

ABOUT EIDE BAILLY

A. FIRM HISTORY

Eide Bailly’s journey began in Fargo, ND, in 1917. The accounting firm Bishop, Brissman & Co. opened an office in Fargo. Our namesake Oliver Eide started his career there in 1934, and the firm eventually became Eide Helmeke.

In 1950 accountant Charles E. Bailly moved to Fargo in to open an office for Broeker Hendrickson & Co. of St. Paul, MN. In 1978, a group of partners withdrew and created their own firm, with Bailly as their leader. The firm was called Charles Bailly & Company.

By the 1990s, Charles Bailly and Eide Helmeke were the major accounting players in the region and much of the upper Midwest. Both ranked in the top 50 accounting firms in the U.S. and were often competing for the same clients and talent. Talks began between the two firms, and it was unanimous: they’d join to become Eide Bailly.

By embracing change and focusing on innovative ideas, Eide Bailly has grown with our clients to become one of the top 25 accounting firms in the nation.

Audit & Assurance Practice

Throughout our history, we’ve provided audit services to clients across all industries. These services account for 36% of our work, and include audits, compilations, reviews and financial statement forecasts and projections, as well as assistance in understanding financial statements, conducting internal audits and evaluation and testing of internal controls. Our clients experience regular contact with senior-level staff and work with a consistent team from year to year, with appropriate rotation.

AT A GLANCE



TOP 25 CPA FIRM



40+ OFFICES IN 14 STATES



350+ PARTNERS



2,500+ STAFF MEMBERS



FOUNDED IN 1917

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

National Assurance Office

Eide Bailly has a National Assurance Office (NAO) that oversees the quality and compliance of the audit practice. Our NAO is a group of assurance partners and senior managers that perform a variety of quality control functions, including the following:

- Consultations with engagement teams, financial statement reviews and engagement quality control reviews.
- Monitors new accounting and auditing standards and assists in the development of related internal communications and training materials.
- Develops and delivers internal continuing professional education.
- Assists with the performance of the firm's internal inspection processes and formal root cause and action plan development for both internal inspection and peer review findings.

Your Eide Bailly audit team has access to this group on an as needed basis to help research and consult on any unique auditing or compliance issues that may arise. Our philosophy is that NAO is a firm resource to support the audit team; therefore, we don't charge our clients for time spent by this group supporting the audit team.

B. OWNERSHIP STRUCTURE.

Eide Bailly is a Limited Liability Partnership, with more than 350 partners.

 **Firm Structure**

Firm Management		Board Management	
Dave Stende, CPA	Managing Partner/CEO	Jeremy Hauk, CPA	Board Chair and Partner
Mike Astrup, CPA	Partner/Chief Administrative Officer	Brian Callahan, CPA	Board Vice Chair and Partner
Jason Delles	Principal/Chief Growth Officer	Shio Gorospe, CPA	Partner
Ross Manson	Principal/Chief Practice Officer	Derrick Larson, CPA	Partner
Andy Spillum, CPA	Chief Practice Officer and Partner	Ben Ellingson, CPA	Partner
Barb Aasen, CPA	Chief Practice Officer and Partner	Jodi Daugherty, CPA	Partner
Tom Goekeler, CPA	Chief Practice Officer and Partner	Tax and Audit Leadership	
Scott Kost	Chief Practice Officer and Principal	Jeremy Hauk, CPA	Partner-in-Charge of Tax Services
Brian Bluhm, CPA	Chief Quality Officer	Scot Phillips, CPA	Partner-in-Charge of Audit and Assurance
Kevin Pulliam, CPA	Chief Practice Officer and Partner	Jenni Huotri, CPA	Partner-in-Charge of Business Outsourcing

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

C. OFFICE LOCATIONS.

See **Item E** below for all office locations. Eide Bailly has 10 offices throughout California. Our staffing model is a combination of local and Idaho staff who work closely with industry experts in order to provide the most qualified team possible to serve OCERS.



D. ORGANIZATION CHART.



E. NUMBER OF EMPLOYEES.

STATE	PARTNERS	STAFF	TOTAL
ARIZONA – Phoenix	18	137	155
CALIFORNIA – Fresno, Laguna Hills, Menlo Park, Pasadena, Rancho Cucamonga, Riverside, Sacramento, San Diego, San Ramon, Tustin	56	385	441
COLORADO – Boulder, Denver, Fort Collins, Grand Junction	26	181	207
IDAHO – Boise, Twin Falls	22	109	131
INDIA – Mumbai		19	19
IOWA – Des Moines, Dubuque	12	69	81
MINNESOTA – Mankato, Minneapolis	35	208	243
MONTANA – Billings	11	59	70
NEVADA – Elko, Las Vegas, Reno	19	158	177
NORTH DAKOTA – Bismarck, Fargo	54	340	394
OKLAHOMA – Norman, Oklahoma City, Tulsa	26	120	146
SOUTH DAKOTA – Aberdeen, Sioux Falls	32	130	162
TEXAS – Abilene, Haskell, Plainview, Seymour	7	78	85
UTAH – Lehi, Ogden, Orem, Salt Lake City	29	224	253
WASHINGTON – Spokane	8	68	76
TOTAL	355	2,285	2,640

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

F. ANNUAL REVENUES.

Over the last five years, Eide Bailly’s net fees have grown from \$263,000,000 to \$439,000,000. Our growth is an indicator of the value we have been able to bring to our clients through our industry focused professionals and service.



G. SCOPE OF SERVICES OFFERED.

Eide Bailly is a full-service CPA firm performing traditional CPA firm services of attest (audits, reviews, compilations) and tax. We also have management advisory services including forensics, cybersecurity and IT, including Value Added Reseller of accounting software, internal audit and many other non-traditional services. Our core services offered include the following:

Audit & Assurance	Tax	Consulting
<ul style="list-style-type: none"> • Audits • Single Audits • Internal Audits • Reviews • Compilations • Employee Benefit & Retirement Plan Audits • International Financial Reporting Standards • Agreed-Upon Procedures • SEC Services • System & Organization Control (SOC 1, 2 &3) 	<ul style="list-style-type: none"> • Cost Segregation Studies & Fixed Asset Services • Wealth Transition • International Tax • Low Income Housing Credits • R&D Tax Incentives • State & Local Tax • National Tax Office • Tax Authority Audit & Correspondence • Tax Planning & Preparation • Tax Research • Nonprofit and unrelated business income tax 	<ul style="list-style-type: none"> • COVID-19 Consulting • Consulting • Technology Consulting • Enterprise Risk Management • Financial Services • Fraud & Forensic Advisory • HR Consulting • Business Valuation • Transaction Advisory • Wealth Management • Cybersecurity Consulting • Data Analytics • Internal Control Examination

We invite you to view our website and learn more about the many services we offer: www.eidebailly.com.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

H. EIDE BAILLY'S SPECIALTIES, STRENGTHS, AND LIMITATIONS

DEDICATED TO GOVERNMENTS

The firm has 275 full-time professionals who participate in our Government Services Group. These professionals share information, learn from others and stay up to date on industry developments. To gain the greatest benefit, the knowledge is shared with professionals across the firm.

The government industry represents Eide Bailly's largest niche area—with more than 1,200 government clients firmwide. We provide audit services for a variety of cities, counties, colleges and universities, fire relief agencies, housing authorities, school districts, state agencies and tribal entities. These services include, but are not limited to, evaluating internal control structure, assessing control risk and performing tests of controls, as well as testing compliance with applicable laws and regulations in accordance with *Government Auditing Standards*.

Through serving these clients, our professionals have gained focused expertise in the government industry and will provide you with insightful advice that aids OCERS.

**GFOA Certificate of Achievement for Excellence in Financial Reporting**

Because we know the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting is important to clients, we work with them to achieve this certification. Some of the partners assigned to OCERS team are GFOA reviewers. Our audit approach will include a review of the Annual Comprehensive Financial Report (ACFR) prior to final submittal to GFOA which will be rotated through these partners. Below is a summary list of some of our government audit clients who have been awarded and currently maintain the GFOA's Certificate of Achievement for Excellence in Financial Reporting:

- **Fire and Police Pension Association of Colorado**
- **Fort Worth Employees' Retirement Fund**
- Iowa Finance Authority
- **Public Employees' Retirement System of Mississippi**
- **Missouri State Employees' Retirement System**
- **Oklahoma Public Employees Retirement System**
- **Public Employee Retirement System of Idaho**
- **West Virginia Consolidated Retirement Board**
- **South Dakota Retirement System**
- State of Nevada
- State of Washington – Local Government Investment Pool
- **Teachers' Retirement System of Oklahoma**
- **Utah Retirement System**
- Washington State Lottery
- **Wyoming Retirement System**

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

INSPIRED TO SERVE PENSION PLANS

Public Pension Plan Experience

Serving the public sector is our largest industry focus and within the industry, we specialize in providing assurance services for similar retirement systems throughout the nation. **A comprehensive list is provided later in the proposal.**

Firmwide, Eide Bailly serves more than 1,100 employee benefit plans, which includes municipal and statewide government defined benefit pension and healthcare plans, defined contribution plans, agent multiple retirement systems, single-employer government defined benefit plans, corporate defined benefit and contributions plans, finance authorities and investment pools, all of which have complex investments like OCERS. A few of the services we provide our pension plan clients include assurance services, tax consulting (international and state tax issues), IT consulting, forensic consulting, internal control reviews and recommendations.



Many of these entities have automated internal control environments communicating and transferring large amounts of data on a regular basis. Data-driven audits are driven through consultation with management, execution of a series of queries and analysis of the results.

Clients select and choose to remain with Eide Bailly because of our nationally recognized expertise coupled with our approach tailored to each system. We do not apply the cookie cutter approach in our audits. **OCERS will be an important part of our portfolio of exceptional clients.**

Due to our experience auditing similar public plans across the United States, we have extensive expertise with the various investments our public plans have in their portfolios. This expertise includes fund of funds, derivatives, real estate, alternative investments, commingled funds and private equity. We are also proficient in dealing with the various distribution options available to participants and the associated complexities involved with those calculations. Eide Bailly is accustomed to using different clients' systems as applicable. Whether verifying demographic information in a client's database or the inputs used for the various distribution calculations, we are adept at working in a client's system to perform various audit tests. **This experience and expertise will make the transition to Eide Bailly seamless and convenient for you and your staff.**

Investment Management Experience

Our investment management practice includes audit, tax and advisory professionals dedicated to clients in the investment management sector. The investment management sector includes alternative investments (hedge funds, private equity, etc.) and real estate funds. These professionals will give OCERS' audit team access to the group's experience and bring that experience to OCERS.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

 **Benefit Plan Experience**

Eide Bailly provides assurance services on over \$360 billion in plan assets to statewide retirement systems, investment pools and other employee benefit plans nationally. Our largest plans are as follows:

Client Entity Name	Types of Investments	Plan Assets	Dates of Service
Utah Retirement System	Asset backed, commercial mortgage-backed, corporate bonds, US agencies and bonds, equities, real assets, private equity, derivatives, comingled funds, securities lending.	\$41.0 Billion	2018 – present
Public Employees' Retirement System of Mississippi	Commercial paper, repurchase agreements, corporate bonds, US agency and treasuries, asset-backed securities, Yankee bonds, equities, private equity, real estate, currency, securities lending.	\$35.0 Billion	2016 – present
Public Employee Retirement System of Idaho	Domestic fixed income, co-mingled domestic fixed, international fixed, commercial mortgages, real estate, equities, private equity, mutual, collective and unitized funds, derivatives.	\$19.6 Billion	2008 – present
Teachers' Retirement System of Oklahoma	US agencies and treasuries, mutual funds, corporate bonds, private equity, real estate, securities lending.	\$19.2 Billion	2016 – present
West Virginia Consolidated Public Retirement Board	Domestic equity, international qualified, international equity, private markets, total return fixed income, hedge funds, short-term, collective investment trusts, foreign currency.	\$16.6 Billion	2020 – present
South Dakota Retirement System	US treasuries and agencies, corporate bonds, mortgage-backed securities, equities, hedge funds, real estate, private equity.	\$13.2 Billion	2012 – present
Missouri State Employees' Retirement System	Equities, bonds, commodities, US treasuries and agencies, asset-backed securities, real estate private equity, hedge funds, derivatives.	\$12.9 Billion	2019 – present
Wyoming Retirement System	US treasuries and agencies, corporate debt, equities, real estate, real assets, private equity, derivatives, securities lending.	\$11.0 Billion	2015 – present
Oklahoma Public Employees Retirement System	US treasuries and agencies, corporate bonds, asset-backed securities, commercial mortgage-backed securities, equities, real estate, securities lending.	\$10.8 Billion	2017 – present
Fire and Police Pension Association of Colorado	US treasuries and agencies, equities, corporate bonds, mortgages, derivatives, private equity, real assets, real estate,	\$5.4 Billion	2018 – present
Fort Worth Employees' Retirement Fund	US treasuries, corporate bonds, government bonds, asset and mortgage backed debt, securities lending, private equity, real estate, commingled funds, derivatives.	\$2.9 Billion	2017 – present
Municipal Fire and Police Retirement System of Iowa	US treasuries, mortgage backed securities, corporate bonds, fund of funds, real estate, private equity.	\$2.6 Billion	2014 – present

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

▶▶▶ GASB 68 Experience

We have been providing audit and other services for public pension plans for more than 15 years. We worked with our clients as part of the implementation of GASB 67 and 68 as well as performing the necessary work to issue GASB 68 allocation reports to be used by employers participating in the cost sharing plans. Below are the clients in which Eide Bailly assists in producing the GASB 68 Schedule of Pension Amounts.

- | | |
|--|--|
| • Public Employee Retirement System of Idaho | • Teachers' Retirement System of Oklahoma |
| • Public Employees' Retirement System of Mississippi | • Municipal Fire and Police Employees' Retirement System of Iowa |
| • Missouri State Employees' Retirement System | • West Virginia Consolidated Retirement Board |
| • South Dakota Retirement System | • Wyoming Retirement System |
| • Oklahoma Public Employees Retirement System | • Fire and Police Pension Association of Colorado |
| • Utah Retirement System | • Oklahoma Teachers Retirement System |

▶▶▶ Government Industry and GASB Involvement

Through serving our 1,200 government clients, our professionals have gained focused expertise in this industry and will provide you with insightful advice that aids in managing the finances of OCERS.

In an industry where standards continually evolve and change, Eide Bailly makes it a priority to stay ahead of and assist our clients with necessary changes. In addition to helping clients implement new standards, we also help them adapt to changes within the existing standards. Our team members are truly engaged in the government industry and are well positioned in organizations associated with government entities.

We are leaders in the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel, Governmental Audit Quality Center and its Executive Committee and the Private Companies Practice Section (PCPS) Technical Committee, national boards of the Association of Government Accountants (AGA), including the Financial Management Standards Board, and the review committee for the GFOA Certificate of Excellence for Achievement in Financial Reporting. Due to our leadership positions, **OCERS will have access to information not available from other firms.**

Further benefiting OCERS, **Eric Berman**, the proposed GASB Consulting Partner, is the author of the entire Government Library for Commerce Clearinghouse Wolters Kluwer (CCH). This library serves as the interpretative reference on government generally accepted accounting principles (GAAP), government best practices and government audits for governments, auditors and educators nationwide. He also regularly attends GASB meetings throughout the year and communicates the results of those meetings to our clients through our newsletters, e-blasts and webinars. The monthly webinars are free to our clients.

We are also directly involved with GASB's financial reporting reexamination task force, shaping the future of state and local government accounting and reporting, and we participate in the reexamination of the revenue and expense model and note disclosure projects with GASB.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

One of our most experienced senior managers is involved in a two-year fellowship at the GASB. Among her many responsibilities, **Janeen Hathcock** from our Denver office is working to finalize the GASB's Financial Reporting Model Improvements project as part of GASB staff. Once her fellowship is completed, she will work with our clients nationwide to implement the coming changes. OCERS will also have access to former GASB board member, **David Sundstrom**, a senior consulting manager and former auditor/controller of Sonoma and Orange, California, counties. As a GASB Board Member, he co-developed 38 GASB standards, including the current pension and OPEB standards. Dave also served ex-officio on both county's retirement plans in his capacity as auditor/controller.

No other firm has this extensive and comprehensive commitment and involvement with GASB and the standard setting process. Because of our involvement, OCERS will be able to understand the impact of these future changes and update policies and procedures far in advance of the implementation of any new standards.

I. THE AVERAGE RETENTION RATE (YEARS OF SERVICE) OF THE FIRM'S OTHER CLIENTS

Our firm does not track client retention rates and is unable to provide this information on a firmwide level. However, we can confirm many of our clients select and choose to remain with Eide Bailly because of our nationally recognized expertise coupled with our approach tailored to each system. Please refer to our public pension plan listing above to see dates of service. **Since 2008, we have only lost two public pension clients, of which one was a required rotation.**

In addition, as show in **Item F** above, over the last five years, Eide Bailly's net fees have grown from \$263,000,000 to \$439,000,000. This is an indication of the client retention and growth throughout our firm.

Our client satisfaction, and retention, can also be seen through our Net Promoter Score (NPS) which, we are pleased to share, has averaged 70 over the past three years. For context, the professional survey firm ClearlyRated reports an average NPS of 38 for the accounting industry. For more information on 2021 Accounting Industry NPS Benchmarks, please visit: <https://www.clearlyrated.com/solutions/2021-accounting-nps-benchmarks/>

While we know our score reflects a high level of satisfaction from our clients, we are committed to raising the bar for clients, like OCERS, to experience consistent and regular improvements in the quality of service we deliver.

**UNMATCHED
CLIENT SERVICE IS
OUR PASSION.**



Eide Bailly has achieved a Net Promoter Score of **70** while the industry average is **38**.

We are committed to raising the bar for clients like OCERS to experience consistent and regular improvements in the quality of service we deliver.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM



5. Team Qualifications

AN EXPERIENCED SERVICE TEAM

We're passionate about our work—and your success. We have selected professionals for your service team who are the right fit for your engagement, based on their knowledge and experience in the government industry.

Brad Berls will lead the engagement team and serve as the Audit Engagement Partner, and **Roger Alfaro** will serve as the Local Client Relationship Partner. **Lealan Miller** will serve as the General Consulting Partner, **Eric Berman** as the GASB Consulting Partner and **Eric Pulse** as the Risk Advisory Principal. In addition, **Nielsine Sherk** and **Erika Partida** will serve as the Audit Senior Managers and **Abbie Belthoff** will serve as Audit Manager. These professionals are licensed to practice public accounting and bring strong credentials and a desire to work with OCERS. If awarded these engagements, these individuals will serve as your primary contacts. Additional resources will support the project team as necessary.

Senior and Staff Associates

All our seniors have more than two years of experience in public accounting, with several who specialize in the government industry. We require Yellow Book compliance for all members of our assurance staff. This means no fewer than 24 hours of specific Government Education courses each two-years. Most members of our audit staff significantly exceed that amount.

Once an agreeable timeline has been determined, we will assign a few of our talented seniors and staff to your engagement.

Staff Availability

Once engaged, we will meet with OCERS to discuss timing needs and structure our commitment of resources accordingly. We have reviewed our workload and are confident that through the size of our firm and our resources—not only in California, but also across the firm—we have the capacity to serve OCERS now and in the future. Although we are committed to other projects, we are adept at managing workflow and projects, and can be flexible in allocating staff time. We are confident that we have the resources to meet your needs.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Team Overview

We know the importance of a strong business relationship, so we keep staffing changes to a minimum year-to-year. Eide Bailly has a high retention rate, allowing us to provide stability. You’ll find profiles for each team member in **Appendix A**. The following information will provide an overview of your service team:

Team Member	Qualifications and Experience
<p>Brad Berls, CPA Engagement Partner</p>	<p>Brad has more than 16 years in public accounting with experience in the government and benefit plan industries throughout his career. He will work with management and the Audit Committee, making sure the deadlines are met. He will review all reports and other information making sure the form and disclosures meet the professional standards and GFOA’s Certificate of Achievement for Excellence in Financial Reporting Program.</p> <p>Brad has extensive experience working on the Public Employees Retirement System of Idaho (PERSI), South Dakota Retirement System (SDRS), Washington State Investment Board, Public Employees’ Retirement Fund of Mississippi, Wyoming Retirement System (WRS), Missouri Employee Retirement System (MOSERS), City of Fort Worth Employees’ Retirement Plan, Nevada Deferred Compensation Plan, the New Mexico Deferred Compensation Plan and the recently won Idaho Deferred Compensation Plan.</p>
<p>Roger Alfaro, CPA, CITP Client Relationship Partner</p>	<p>With over 20 years of serving California local governments, Roger will be the local Client Relationship Partner. He will work closely with Brad to make sure the needs of OCERS are met. He can meet with OCERS in person at any given minute. His experience includes performing financial and compliance audits for county governments and other large/complex local governments. He has assisted clients with the implementation of new GASB pronouncements, including pension and other post-employment benefit standards, internal audit services, risk assessment, performance audits, internal control reviews and cost studies.</p>
<p>Lealan Miller, CPA, CGFM Consulting Partner</p>	<p>Lealan has 30 years in public accounting with experience in the government and public plan industries throughout his career. His public pension plan experience includes: Public Employees Retirement System of Idaho, Washington State Investment Board, Wyoming Retirement System, South Dakota Retirement System, West Virginia Consolidated Retirement Board, Fire and Police Pension Association of Colorado, Municipal Fire and Police Retirement System Iowa, Clark County Nevada OPEB Trust Fund, Las Vegas Metropolitan Police Department OPEB Trust Fund, Truckee Meadow Water Authority OPEB Trust Fund and Truckee Meadows Water Authority Post-Retirement Medical Plan & Trust.</p>

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Team Member	Qualifications and Experience
<p>Eric Berman, CPA, CGMA GASB Consulting Partner</p>	<p>Eric will serve as the GASB Consulting Partner and will be responsible for providing insight during the audit. He has 30 years of experience auditing and controllership for state and local governments, specializing in employee benefit plans. He not only possesses nationally recognized audit experience, but also preparer, educator and authorship experience. His experience includes acting as the Deputy Comptroller for the Commonwealth of Massachusetts. Eric served on the Massachusetts Pension Reserves Investment Management Board as an alternate in his capacity as deputy comptroller of the Commonwealth. His duties included implementing the Board’s OPEB investment program. He will also be available to answer any questions the team or OCERS may have relating to the audit. Eric will also be available throughout the year to answer any questions OCERS may have especially regarding implementation of new GASB standards.</p>
<p>Eric Pulse, CISA, CISM, CRISC, CCSFP, CFSA Principal-in-Charge of Risk Advisory</p>	<p>Eric specializes in providing information technology, risk advisory and cybersecurity consulting services to a variety of industries, including governments, healthcare, insurance, banking, credit unions, retail and manufacturing. He will oversee the IT auditors and advisors as part of the audit team that specializes in performing reviews of the IT controls over accounting and financial reporting. He advises Eide Bailly clients on how to keep their valuable data secure in a world of increasingly sophisticated cyber threats. With his many years of experience, Eric has become a true thought leader in the culture of cybersecurity.</p>
<p>Nielsine Sherk, CPA Senior Manager</p>	<p>Nielsine has 14 years in public accounting with experience in the government and benefit plan industries through her career. She works with a variety of clients to help them meet their financial reporting requirements. Her specialties include employee benefit plans and governments, and she spends much of her time coordinating and overseeing various audit engagements. Her public retirement plan experience includes Clark County, Nevada OPEB Trust Fund, Las Vegas Metropolitan Police Department OPEB Trust Fund, Truckee Meadow Water Authority OPEB Trust Fund, Truckee Meadows Water Authority Post-Retirement Medical Plan & Trust and the Nevada Deferred Compensation Plan.</p>
<p>Erika Partida, CPA Senior Manager</p>	<p>Erika has more than 11 years in public accounting, assisting clients with their assurance needs, and specializes in the governmental industry. She manages governmental audit engagements including developing the audit plan, managing staff on the engagements, serving as the key point of contact on engagements, communicating any issues identified during the audit and reviewing staff work and financial statements. Through her experience serving a number of counties throughout California (most of which are '37 Act participants) she will be able to provide local assistance to the team.</p>
<p>Abbie Belthoff, CPA Manager</p>	<p>Abbie has audited state and local government entities for more than five years. She is an expert in testing public retirement plans for numerous clients including PERSI, WRS, Washington State Investment Board, Public Employees’ Retirement Fund of Mississippi, and the recently awarded Idaho Deferred Compensation Plan. Additionally, Abbie has assisted multiple clients with obtaining a GFOA award and has in-depth knowledge of GASB requirements.</p>

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Licensed to Practice

Eide Bailly and each of the professional staff assigned to OCERS are properly registered and licensed to practice in California.

A majority of states, including California, have adopted mobility legislation—a practice privilege that generally permits a licensed CPA in good standing from a substantially equivalent state to practice outside of his or her principal place of business without obtaining another license.

All assigned key professional staff have complied with government qualification standards, including government continuing education requirements.

Team Certifications	State	Certificate Number
Brad Berls, CPA	ID	CP-4613
Roger Alfaro, CPA	CA	CPA-80259
Lealan Miller, CPA	ID	CP-2971
Eric Berman, CPA	MA	16486
Nielsine Sherk, CPA	NV	CPA-5662
Erika Partida, CPA	CA	CPA-125011
Abbie Belthoff, CPA	ID	CP-6192

Continuing Education

Because we are committed to the government industry, we provide our professionals with specific, ongoing training related to these industry issues. This investment ensures our people stay current on the unique challenges and opportunities within their industries so they are in the best position to help clients address these issues. We accomplish our regulatory and accounting standard training through attendance at various AICPA sessions.

Firmwide, our continuing professional education (CPE) program requires all professional staff obtain education that exceeds the requirements of the AICPA and where applicable, *Government Auditing Standards*. The firm places a strong emphasis on lifelong learning and recognizes the importance of developing our professionals to best serve our clients. This past year, we provided our client service professionals with an average of 72 hours of professional education, compared with the 40-hour accounting industry requirement. In addition, we regularly share information among the audit teams in different offices to ensure we are providing clients with the latest thinking and best possible solutions. Our government professionals obtain CPE through the following means:

- Government-specific seminars sponsored by the AICPA and Government Audit Quality Center (GAQC).
- Seminars sponsored by the Government Finance Officers Association.
- Involvement with local chapters of the GFOA (we teach and attend GFOA conferences, regularly).
- Eide Bailly seminars specific to government issues taught by our experienced managers and partners.

By expanding our knowledge of issues important to government organizations, we can provide more in-depth, knowledgeable solutions to our clients. Additional communication, webinars and training are provided throughout the year on a variety of topics important to state and local governments.

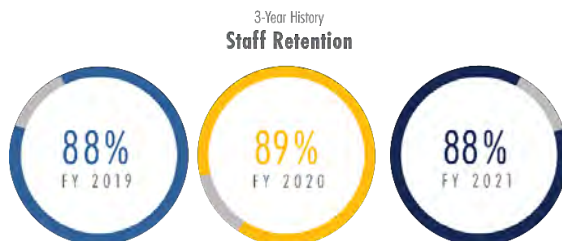
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

6. Partner Rotation

While we focus on keeping the same partner and manager assigned to the job so continuity is not lost, we also understand that partner/manager rotation is sometimes important to a client. In the Government Industry Services Group, we have other experienced partners and managers who can become the leads for your engagement at your request. This would allow you to have a new perspective without losing the familiarity of the audit staff with your systems and processes.

7. Staff Continuity

To help ensure a strong business relationship and to minimize disruptions, we keep staffing changes to a minimum. Compared to the national average, Eide Bailly experiences a higher retention rate, which translates to providing our clients with consistent service teams. We will strive for continuity of staff for your engagement. With this continuity comes quality as team members' knowledge of your organization grows from year to year.



Should the need arise to change any of the key engagement personnel, we will notify you in writing and provide the qualifications of the proposed replacement. Upon your approval, new engagement personnel will join your service team.

8. State and National Industry Groups

As previously mentioned, we are leaders in the AICPA State and Local Government Expert Panel, Governmental Audit Quality Center and its Executive Committee and the Private Companies Practice Section Technical Committee, national boards of the Association of Government Accountants, including the Financial Management Standards Board, and the review committee for the Government Finance Officers Association's Certificate of Excellence for Achievement in Financial Reporting.

Thought Leadership and Technical Resources

A number of partners at Eide Bailly are nationally recognized state and local government thought leaders who present at dozens of national venues including: the National Association of State Auditors, Comptrollers, and Treasurers; California Society of Municipal Finance Officers; Oregon Government Finance Officers Association; the California State Association of County Retirement Systems; the California Association of Public Retirement Systems; AGA National Professional Development Conference; National Association of Housing and Redevelopment Officials (NAHRO); various States' Societies of CPAs and local GFOA chapters.

We are involved with **P2F2** as sponsors and providing speakers for the annual P2F2 conference. For the past seven years, Eide Bailly partners **Lealan Miller**, **Brad Berls** and **Eric Berman** have presented at the conference. We also attend the **NASRA** annual conference as sponsors. Our involvement with these conferences shows our dedication to the state retirement fund industry and helps us to stay up to date on current trends and issues.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

We also provide training for state and local agencies. Some of these agencies include Controllers' offices of the State of Tennessee, Texas State Auditor, State of Montana, Commonwealth of Massachusetts and the State of Nevada.

Online Publications – OCERS will have access to resources on our Eide Bailly Government Industry website. We publish articles related to hot issues within the government accounting arena.

Webinars – We host frequent webinars dedicated to helping you and your organization navigate complex issues. Each webinar covers a different topic to help evaluate the steps necessary to achieve success and remain ahead of the curve.

VISIT OUR WEBSITE TO
SIGN UP FOR
NEWSLETTERS,
E-BLASTS AND
WEBINARS:

www.eidebailly.com

National Assurance Office

As an additional resource, Eide Bailly has a National Assurance Office (NAO) that oversees the quality and compliance of the audit practice. Our NAO is a group of assurance partners and senior managers that perform a variety of quality control functions, including the following:

- Consults with engagement teams, financial statement reviews and engagement quality control reviews.
- Monitors new accounting and auditing standards and assists in the development of related internal communication and training materials.
- Develops and delivers internal continuing professional education.
- Assists with the performance of the firm's internal inspection processes and formal root cause and action plan development for both internal inspection and peer review findings.

Your Eide Bailly audit teams will have access to this group on as needed basis to help research and consult on any unique auditing or compliance issues that may arise.

Government Technical Issues Committees

Eide Bailly has created Technical Issues Committees (TICs) to address the unique aspects for our various industries within the firm. Your audit team will have access to the Government TIC. This committee works closely with the Partner-in-Charge of the Government Services Group and NAO to identify audit and accounting issues, develop responses to these issues, monitor developments at GASB, and communicate the solutions throughout the firm.

Currently, the government TIC is focusing on implementation of new standards (i.e. GASB 84 *Fiduciary Activities*, GASB 87 *Leases*, etc.) as well as crafting responses to the exposure draft issued by GASB relating to the potential new reporting requirements as well as the preliminary views on major issues related to revenue and expense recognition.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Access to Specialists

Our senior professionals work closely together so you receive valuable service from people who understand your needs and know your business. We have developed several industry groups, one of which is dedicated to the government industry. Through this industry group, we can connect our clients with specialists throughout the firm.

Information Technology Additional Resources	
<p>Anders Erickson, CISA, CISSP, CRISC Risk Advisory Principal</p>	<p>Anders assists clients in establishing a culture of security within their organization. He leads organizations through the process of identifying their cybersecurity risks and brings practical solutions to help manage and mitigate those risks.</p> <p>When you work with Anders, you can expect him to take time to understand the cybersecurity challenges your organization faces, provide solutions that are tailored to your environment, and ensure you understand how your organization is affected by its cybersecurity risks. His experience includes managing the execution of IT controls and security assessments for federal government agencies, including Department of Defense (DoD), Department of Homeland Security (DHS) and the Intelligence Community (IC). Anders and his team service a broad range of clients across all industries, including public, private and nonprofit sectors. Their experiences include audits of large enterprise systems, including Oracle, JD Edwards and SAP. Many of the group members maintain relevant certifications including CISSP, CISM and CISA.</p>
<p>David Rowan, CPA, CSSP Senior Manager</p>	<p>David has been in the public accounting and consulting industry since 1999. He provides information technology risk advisory services to public and privately held companies in a variety of industries and has provided specific IT risk advisory services to the public retirement industry.</p>
Investments Additional Resources	
<p>TJ Bert, CPA Partner</p>	<p>TJ began his public accounting career in 2000 and serves as the Partner-in-Charge of Energy Services. He specializes with private equity funds including those that are considered registered investment advisors. Some of his funds include real estate fair value funds, private hedge fund and private equity real estate funds.</p> <p>Additionally, he has extensive experience in conducting SEC reporting and compliance standards for publicly traded companies. He will bring a depth of knowledge when it comes to these types of investments.</p>
<p>Thomas Madison, CPA, CFA Partner</p>	<p>Thomas has been obtaining public accounting experience since 2001, providing services to industries including trust companies, nonprofit, foundations, construction, manufacturing, aggregates and wholesale and retail companies. He provides public accounting services to more than 120 organizations, many with significant investment portfolios, and has experience with derivatives and alternative assets. He is a member of the Chartered Financial Analyst Institute.</p>
<p>Chad Flanagan, CPA, ABV Partner-in-Charge of Valuation</p>	<p>Chad specializes in valuing intangible assets, including technology, patents and contractual agreements, as well as countless business valuation services for estate and gift tax purposes, litigation, and purchasing and selling businesses. To share his expertise, Chad has presented for the Business Law Institute in Minnesota, Enterprise Minnesota, Red River Estate Planning Council and various other organizations. Chad has experience performing financial projections and forecasts and strategic planning for a variety of clients, including professional service companies, manufacturers, distribution companies, equipment dealers and healthcare providers.</p>

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Internal and Performance Audit Additional Resources	
<p>Audrey Donovan, CIA, CGAP, CRMA Senior Manager</p>	<p>Audrey has 25 years of experience in internal audit, performance/operational audit and financial consulting for both the public and private sectors. A large portion of her career was spent in the Risk Advisory Services sectors of two international firms. Her experience includes managing internal audit consulting services, enterprise-wide risk assessments, process design and documentation engagements.</p> <p>She’s the firmwide technical resource for internal audit and performance audit. Audrey works closely with Eide Bailly’s Special Advisory and Risk Advisory Services, including fraud and forensic, information technology and quality assurance review. She has managed and performed hundreds of operational and performance audits and utilized various performance audit methodologies, including benchmarking, surveys, data analytics, social impact analysis and facilitated sessions.</p>
<p>David Sundstrom, CPA, CIA Senior Manager</p>	<p>David delivers projects that concentrate on economy, efficiency and the effectiveness of operations. He understands government, having served as Orange County’s Auditor-Controller for 13 years and, as Sonoma County’s Auditor-Controller, Treasurer Tax Collector for four years. During his tenure at Orange County, he was instrumental in restructuring the county’s OPEB plan thereby reducing the county’s liability by \$943 million. While at Sonoma, he served as a board member of the Sonoma County Employee Retirement Association, Chair of the Audit Committee and as a member of the Investment Committee in that capacity. He also served for 10 years as a member of the Governmental Accounting Standards Board (GASB) where he helped develop 38 standards including seven standards related to pensions, pension plans and OPEB.</p>

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

9. References

REFERENCES

We've built our business on relationships and believe our clients to be the best critics of our service. The clients below have similarities to your organization, and we encourage you to contact them to learn about their Eide Bailly experiences.

 **References**

Client Name and Address	Project Description	Engagement Dates	Point of Contact
Public Employees' Retirement System of Mississippi 429 Mississippi St Jackson, MS 39201	ACFR, Census attest work, GASB 68, Agent multiple-employer	2016 – present	Terri Hudson Senior Deputy Director 601.359.2296 thudson@pers.ms.gov
Public Employee Retirement System of Idaho (PERSI) 607 N 8th St Boise, ID 83720	ACFR, Census attest work GASB 68	2008 – present	Alex Simpson Financial Executive Officer 208.334.3365 alex.simpson@persi.idaho.gov
Fort Worth Employee Retirement Fund 3801 Hulen St., Ste. 101 Fort Worth, TX 76107	ACFR	2017 – present	Robert Hulme Deputy Director 817.632.8918 robert.hulme@fwretirement.org
Utah Retirement System 560 E 200 S Salt Lake City, Utah 84102	ACFR, OPEB, SOC, Census attest work GASB 68	2018 – present	Rob Dolphin Chief Financial Officer 801.366.7429 rob.dolphin@urs.org
State of Washington Local Government Investment Pool 106 11th Avenue Olympia, Washington 98504	ACFR	2018 – Present	Shad Pruitt Deputy State Treasurer 360.902.89.04 shad.pruitt@tre.wa.gov

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

10. Licenses and Certifications

Please refer to **Appendix B** for copies of the following:

- California Secretary of State certificate
- California State Board of Accountancy certificate
- Key Professional License Verification

Peer Review

A copy of our firm's most recent peer review is included in **Appendix C** of this proposal. The quality review included several similar government engagements.

11. Standard Engagement Letter

Please refer to **Appendix D** for an example of our standard Engagement Letter (professional services contract).

We have submitted the OCERS Services Agreement for review from our legal counsel and have included a few suggested modifications as **Appendix E**.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

12. Pricing Proposal Explanation**EXPECTED FEES**

Our fees are based on the complexity of the issue and the experience level of the staff members necessary to address it. If you request additional services, we will obtain your agreement on fees before commencing work, so there are no surprises or hidden fees.

We propose the following fees based on our understanding of the scope of work and the level of involvement of OCERS' staff:

Engagement Services and Fees

Professional Services	2021	2022	2023
Annual Audit Services	\$95,000	\$97,850	\$100,750
GASB 68	\$15,250	\$15,750	\$16,200
Total Fees	\$110,250	\$113,600	\$116,950

Out-of-Pocket Fees

The professional fees listed above are inclusive of all out-of-pocket expenses and you will not be billed for expenses such as travel time, mileage and meals.

Billing Policy Regarding Telephone Inquiries

We know clients appreciate access to all their service team members. We embrace this opportunity for constant communication and will ensure our team members are available when you have questions and issues. This service is included in the scope of the engagement. If a particular issue surfaces that falls outside the scope of this engagement, we'll bring it to your attention and obtain approval before proceeding.

Future Year Pricing Guarantees

Our fee increases future years will be consistent with inflationary increases in the industry. They are contingent upon no major changes to OCERS, and that significant accounting and auditing rule changes and procedures remain consistent with current requirements. Fees do not include additional time that could be incurred due to changes to the scope of the engagement.

Equivalent Pricing

Eide Bailly has a proven reputation for providing exceptional service and value to its clients. Auditing services require a tailored assessment of the engagement risks (i.e. nature of the plan, investment portfolio, systems, nature of exceptions), appropriate procedures to respond to these risks and a service team that is specialized to perform the scope of work. We represent our proposed fees are consistent with the services requested by OCERS, the proposed engagement team and the value we offer.

In addition, it should be noted our fees encompass far more than just the requested services. With year-round communication, invitations to educational events, access to resources on any accounting and regulation changes and information on other topics of interest to the government industry, our staff work hard at building a trusting relationship with their clients. Our current clients value this all-encompassing approach and appreciate year-round access to industry specialists.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM



13. Services Work Plan

AUDIT TIMELINES

We tailor our approach based on the needs of each client; our audit approach is designed to collaborate with OCERS to achieve optimal results. Upon appointment as your auditor, we will discuss the audit schedules and work with you to ensure the timeline meets your needs and makes the most effective use of your staff members’ time. We have provided the following objectives and timing of each component to demonstrate our expertise and experience in public pension plans.

A. PROPOSED SEGMENTATION OF THE ENGAGEMENT

Activity	Timing
Financial Statements, GASB 68	
Entrance Conference	January
Pre-Work and Planning	January
Interim Fieldwork	April
Final Fieldwork	May
Exit Conference	May
Report Comments to OCERS	May
Presentation to Audit Committee	TBD
Delivery of Final Report	No later than June 3

We will meet your deadlines by engaging in thorough audit planning and communication with management. We begin each engagement with a strong understanding of the various deadlines for the financials and the steps involved along the way to meet these deadlines. An audit project plan will be developed between our team and OCERS and then followed closely. We will work with OCERS’ management team to customize our auditing services and specific timelines to your needs. We believe in clear, up-front and open communication with no surprises. Our proposed plan anticipates having all the reports issued as required by the RFP and noted above.

The following is additional information for OCERS to consider. A more detailed plan will be provided at the end of pre-work due to the proprietary nature of the plan and how we customize the plan for each client.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

AUDIT APPROACH

Pre-Work: January

- Gain an understanding of various processes and controls in place.
- Review minutes, resolutions and ordinances.
- Determine confirmation needs.
- Prepare listing of audit information requested from organization.
- Entrance Conference with Audit Committee and Management.



Planning: January

- Gain knowledge of organization and environment.
- Assess specific account risk and control.
- Perform analytical procedures to identify audit risk areas.
- Consider fraud through inquiry and brainstorming.
- Develop audit budget by individual areas.
- Determine the nature, timing and extent of internal auditor procedures.
- Determine audit procedures by area, based on results of audit planning.
- Review minutes, resolutions and ordinances.
- Determine confirmation needs.
- Prepare listing of audit information requested from organization.



Interim Work: April

- Review and test internal controls.
- Perform distribution and contribution testing.
- Progress reporting throughout the process.
- IT review over the internal controls of information systems related to financial statement reporting.
- Perform distribution and contribution testing.
- Perform detail testing of administrative expenses.
- At least two or three meetings each week with management.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM



Fieldwork: May

- Audit areas based on risk assessment.
- Obtain schedules and perform analysis supporting the financial information.
- Discuss findings with management, if any.
- Discuss proposed journal entries with management, if any.
- Progress reporting throughout the process (at least two or three times a week).
- Exit Conference on last day of fieldwork.



Reporting: Issued no later than June 3

- Develop required reports and communications to OCERS' management and the Board.
- Finalization of engagement.
- Review OCERS' Annual Financial Report for consistency and reasonableness.
- Progress reporting throughout the month.



Ongoing Communication Throughout the Audit and the Year

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

GASB-68

For the GASB-68 work, we will use a risk-based approach to test the demographic information, payroll and corresponding contribution amounts by selecting a sample of participants focusing on the most relevant information provided to the actuaries impacting the pension liabilities. Testing will occur during interim and final fieldwork. We can be flexible on the allocation report review upon receipt of the necessary reports with drafts to management at the same time as the audit report. During this phase, we will perform required testing on the various elements and schedules related to GASB Statement No. 68, as amended.

Key Activities in GASB-68 Related Work

- Employee Census Testing.
- Tests of GASB-68 Related Assertions.
- Examination of Assertions of Significant Census Data Elements.
- Test Allocations of Schedule of Changes in Fiduciary Net Position by Employer

Key Performance Measures

- Schedule of Changes in Fiduciary Net Position by Employer.
- Carry forward documentation for following year testing (focus on incremental changes).
- Required attestation examination report.

We will work with select departments within OCERS using a risk-based approach to test the significant elements of the census data including employee name, gender, date of birth, hire date, employer number, position, employment status and termination status. For this testing, we will select a variety of samples to test the different elements. The number of items tested for each sample will be based on overall risk, volume and nature of the element being tested. Considerations will be made based on the controls, processes and reporting available based on the different elements of the report, as well as incremental changes where appropriate. **Testing will occur during interim fieldwork.**

Testing of the Schedule of Changes in Fiduciary Net Position by Employer (the Schedule)

We will perform testing of the Schedule and the various components presented to ensure the accuracy of information provided to the employers including contributions, distributions and the allocation of investment income and administrative expenses.

Steps include, but not limited to verifying contributions and distributions on a sample of employers to underlying testing performed during interim procedures. Eide Bailly will agree total schedule amounts to those reported in the ACFR. Testing will be performed on the allocation process in total as well as selecting a sample of employers to ensure the total allocation process is calculating correctly. Additional procedures will be performed on a sample of employers comparing current year amounts reported to prior year amounts to ensure items did not get shifted a line in the report causing all employers to be incorrect. This will also reduce the risk that employers are assigned a different employer's information.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

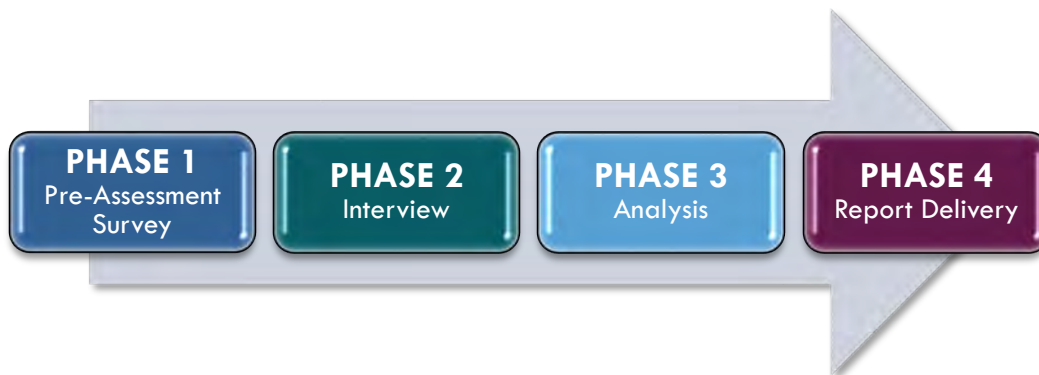
EVALUATION OF INFORMATION TECHNOLOGY

For most organizations, information security remains a major audit risk due to the endemic threats posed by cybersecurity failures. OCERS needs to have a heightened awareness due to the nature of its operations and access to confidential information.

Eide Bailly utilizes a four-phased approach in reviewing information system controls and systems security measures, most of which can be performed as part of interim work to capture any changes during the year. However, it may also be performed at any point during the year.

We have an extensive Information Technology (IT) group that is an important part of the audit team, which for your engagement will be led by **Anders Erickson**. This group has the experience planning, implementing, supporting and calculating business technology systems and security programs in the public, private, government and nonprofit sectors. Their experience also includes operations, security and software development auditing, internal vulnerability testing and external penetration testing. Many of the group members are CISSP, CISM, and CISA certified. The IT principal and manager assigned has performed work on South Dakota Retirement System, Public Employee Retirement System of Idaho, Public Employees' Retirement System of Mississippi, Missouri State Employees' Retirement System and Washington State Investment Board assisting in the IT review for the audit.

We will evaluate both the general technology controls and specific application controls that are in effect. This requires our IT auditors to consider how the accounting systems, infrastructure, processes and people work individually and together to ensure that financial records are being appropriately processed, secured and reported. Our methodology is based on AICPA guidelines, the internal controls framework prescribed by COSO, and the best practices for technology controls as defined by Control Objectives for Information and Related Technologies (COBIT). Our team will work with IT staff to assess how the relevant systems and technology environment are administered and supported. Segregation of duties regarding the maintenance and enforcement of system controls is also a focus area.



Phase 1: Pre-Assessment Survey

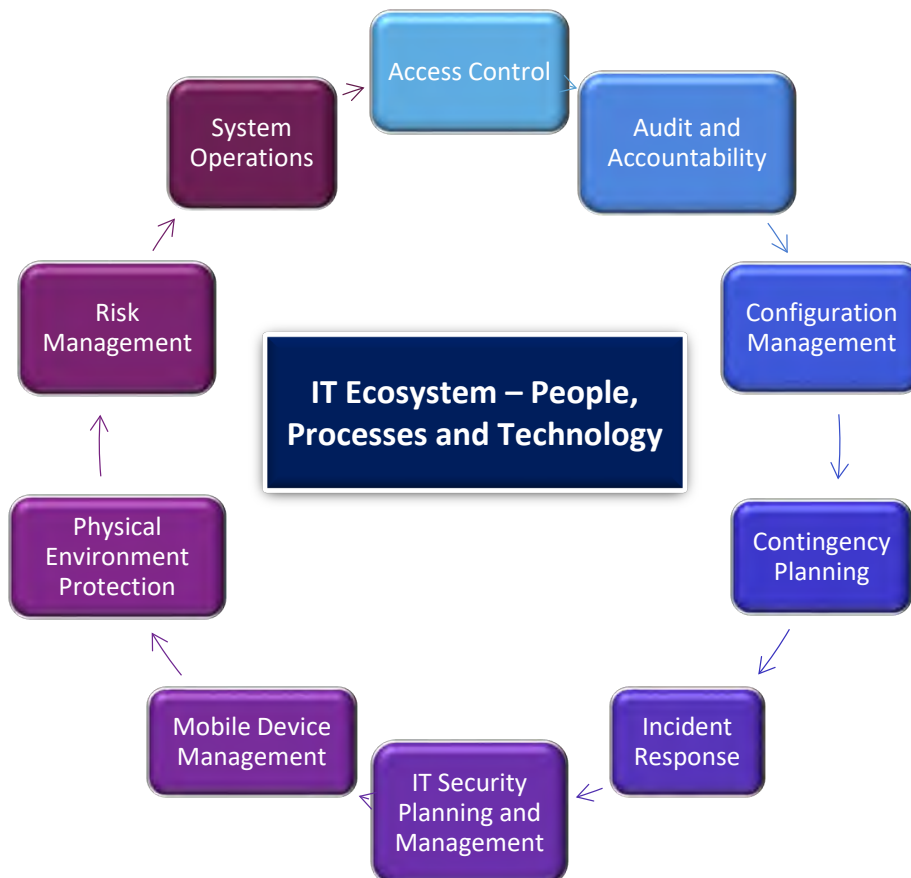
We will prepare with OCERS' staff an initial assessment of the IT environment. This is facilitated by a questionnaire with the following points of focus:

- Inventorying of existing documentation and policies.
- Collecting information about technical security controls.
- Understanding your organization's high-level processes for assessing risk.
- Developing an understanding of your organization's capabilities for responding to a cybersecurity incident.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Phase 2: Interviewing

Eide Bailly will interview key personnel at OCERS to collect more detailed information about the current cybersecurity environment. This process can be completed either via a phone conference or on-site. The ten topics covered during this interview are outlined below:

**Phase 3: Analysis**

After completion of the interview phase, Eide Bailly’s IT professionals, with the input of our Cybersecurity Consultants, will analyze the data collected on OCERS’ existing controls. This “roadmap” includes an assessment of current risk and recommended remediation plans from three perspectives: *People, Processes and Technology*.

Phase 4: Report Delivery

Eide Bailly will present an assessment and recommendation report to your organization, which may remain confidential due to the sensitivity of findings and recommendations related to personally identifiable information or network security, if required by state law. This report will include:

- An executive/Board-level summary of our findings and recommendations.
- A detailed risk rating for each of the assessed control areas.
- Remediation recommendations and priorities.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Advanced Data Analytics

We have incorporated **advanced data analytics in our audit process and will be included** in OCERS engagement. We will have access to **Jon Ault** and his team of certified data analysts. This group will parse through the volume of OCERS' data using artificial intelligence to find patterns of potential issues requiring additional testing, allowing our teams to work smarter. We anticipate advanced analytics to be helpful in areas with large amounts of data, including but not limited to journal entries, contributions, distributions, investment transactions and census data.

Not only does data analytics streamline the audit process, but it also helps OCERS reduce the burden on your whole organization. We do not just ask you for the 'same as last year'. We use tools like Tableau, Snowflake, Alteryx and other analytical tools to aid in the audit.

B. LEVEL OF STAFFING AND NUMBER OF HOURS

Financial Statement	Partner	Manager	Sr. Associate	Staff	Total
Planning & Pre-Work	17	48	36	6	107
Interim Work	12	48	60	96	216
Fieldwork	42	84	120	240	486
Reporting	22	42	66	12	142
Total	93	222	282	354	951

GASB 68	Partner	Manager	Sr. Associate	Staff	Total
Planning & Pre-Work	4	4	7	4	19
Fieldwork	6	10	23	36	75
Reporting	6	12	36	6	60
Total	16	26	66	46	154

C. SAMPLE SIZE AND STATISTICAL SAMPLING USED IN THE ENGAGEMENT

We design our audit procedures for compliance using sampling procedures to result in sample items being selected on a random basis. To accomplish this, we utilize our data extraction software, TeamMate, to ensure our selections meet the established criteria while maintaining the random selection.

Sampling may be performed for tests of controls, compliance testing and substantive tests of certain accounts and transactions. During our audit of the financial statements, we will also select various transactions for testing based on materiality assessed at the appropriate level. These transactions may include such items as investments, expenditures, subsequent disbursements and subsequent receipts. We also use samples across different audit areas to be as efficient as possible while testing the necessary items to get comfortable with the applicable balances.

Sample sizes will be selected using our statistical sample form whenever possible. Sample selection may also incorporate guidance under control testing which may indicate a sample of up to 25 or 40 but may be lower dependent on the population size and level of control risk that is necessary to achieve. This may also be altered with the use and reliance on OCERS' internal audit work. We will select the appropriate sample size to support our conclusions in compliance with laws and regulations.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Sample sizes related to the Schedules of Pension Information for Participating Employers will be dependent on the reliability of the tests of internal controls. The overall sampling guidance will follow guidelines provided in white papers and audit guides issued by the American Institute of Certified Public Accountants.

Finally, Eide Bailly is a member of the AICPA's **Dynamic Audit Solution Initiative**. During our proposed engagement with OCERS, auditing may change as a result of this multiyear collaboration creating a new, innovative process of auditing using technology. We have already engaged our advanced data analytics group as part of this effort, which may lead to an audit of every transaction using metadata instead of sampling.

Additional Approach Details

Approach to Identify and Audit Significant Risk Areas

As required by the generally accepted auditing standards, our audit is performed based on a risk approach. While several of our steps are common amongst all audit firms, we have fine tuned our process to perform the most efficient audit while focusing on the higher risk areas. **We do not apply a cookie cutter approach to our audits.** Our approach is flexible and designed to meet the unique challenges any of our clients may present, whether due to size, complexity, personnel, regulations and market conditions.

The risk assessment process involves the following types of risks:

- **Inherent risk** where an error in the accounting system may occur.
- **Control risk** where there maybe failures in the internal control systems due to a breakdown in the prevention and detection of errors.
- **Detection risk** where the audit procedures may fail to detect any errors.

The first and most important step is to gain a strong understanding of OCERS. This includes the organization, management style, personnel, external and internal items that affect the operations of OCERS. As outlined in the work plan below, we do this through a review of past minutes, discussions with management, interim financial statements, preliminary analytical review, our IT audit members' assessment of IT controls over the accounting system and audit team members brainstorming about potential fraud risks. We will also understand OCERS management's assessment of risk and their perspective on the effectiveness of the internal controls, not only over the accounting system, but also of the financial reporting. We will meet with the internal auditors to determine the projects performed during the year, as well as up-coming projects to potentially leverage any work into our audit. We also review their risk assessment and audit plan to see what OCERS sees as risks to the organization. We appreciate being able to meet with the various departments throughout the organization from compliance, training, employer and employee outreach, etc. to get a comprehensive picture of your organization.

Another method of learning about the organization is to attend board meetings whenever possible. The qualifications of the board, their involvement and questions and overall interactions with management help tell a lot about an organization. Applying the risk approach allows us to spend the time on the necessary areas and not spend our resources, and OCERS' resources, on low risk areas.

With all audits, the level of assessed risk can change at any given time during the audit. We've designed our audit process and trained our people so we can make necessary changes to our procedures to address those changes to the assessed risks.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

At Eide Bailly, we customize our approach based on the needs of *each client*; our audit approach is designed to collaborate with OCERS to achieve optimal results. Based on our initial review of OCERS financial statements and our experience with other pension plans, we think the areas of highest risk of OCERS’ audit include, but are not limited to:

Key Point of Engagement	Points of Focus
Investment Portfolio	Valuation, Recognition, Disclosure.
Contributions	Flows of member and employer contributions, recognition, separation for pensions, including completeness, accuracy, existence and compliance.
Distributions	Flows of payments to beneficiaries including completeness, existence, accuracy, compliance and eligibility.

We have provided our approach to the above areas on the following pages, knowing this is where we will spend most of our time during the audit.

Audit Approach for Contributions & Distributions

As previously noted, Eide Bailly utilizes a risk-based approach, combining our testing over the design, implementation and functionality of internal controls, with substantive audit procedures. Substantive audit procedures include testing over compliance, calculation and approval of transactions to obtain appropriate audit evidence and substantiate the contribution and distributions amounts reported and disclosed within the financial statements. Initially, via discussions and interviews with management and benefits personnel and your internal process documentation, we understand processes, procedures and internal controls over, but not limited to, the following:

Contributions	Distributions
Establishment of required rates, whether determined by state statute or plan policy.	Application and approval and review process for retirement.
Calculations over employee and employer contributions, as applicable.	Initial benefit calculation and process for subsequent correction of benefit amounts, if applicable.
Processes for employer submission and approval.	Verification and reliability of underlying payroll and member data used in the above calculations.
Verification and reliability of underlying payroll data used in the above calculations.	Payment of, or disbursement of benefits, including payment method and timing.
Reconciliation and recording of final contribution amounts.	Reconciliation and recording of final distribution amounts.
Processes for error correction and / or audits of employer information.	Process for notification to individuals of tax impact of distribution (Form 1099-R).
Any additional special provisions or requirements mandated by state code or law.	Process for subsequent adjustment to benefit amounts, through COLAs or other adjustments.
	All additional benefit types, including, but not limited to: Lump Sum Payments, Death and Disability, Beneficiary or Survivor Annuity, Divorce Settlements and DROP Payments.
	Any additional special provisions or requirements mandated by state code or law.
	Application and approval and review process for retirement.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

We assess risk at the assertion level. Factors included in the assessment of the risk of material misstatement commonly include, but are not limited to:

- The frequency, complexity, and number of calculations involved, for both contributions and distributions.
- The number of employers and members participating, both active and retired.
- The number of noted changes to state statutes or requirements related to contributions or distributions.
- The presence of, or lack of known errors in previous audits.
- Management’s level of involvement in monitoring and reconciling contribution and distribution amounts.
- The skills, knowledge and experience of OCERS’ staff and management in charge of monitoring and overseeing the various aspects included within contributions and distributions.
- The systems in place to track various aspects of different aspects of contributions and distributions.

Testing procedures and sampling sizes are determined and can vary based on these assessed risks, as well as the relative size, complexity and frequency of contributions made, and distributions paid.

The documentation below represents general guidelines for scoping and testing procedures. However, it may be modified depending on further understanding of OCERS’ processes, or deviations noted in testing performed. Eide Bailly will ensure sample sizes are selected following generally accepted auditing standards.

Procedures and sample selection related to the testing of controls, compliance and transactions, over contributions and distributions typically include, but are not limited to:

Audit Approach for Investments

Eide Bailly utilizes a risk-based approach to obtain appropriate audit evidence to substantiate investment amounts recorded on and disclosed in the financial statements. Initially, via discussions and interviews with management and investment personnel and your internal process documentation, we gain an understanding of processes, procedures and internal controls over, but not limited to, the following:

- Investment policies, including all state and local compliance requirements.
- Daily, monthly, quarterly and annual reconciliations between custodian, third-party statements and the general ledger.
- Purchases and sales.
- Valuation and income verification.
- Use of third-party specialists.
- Due diligence on initial commitment approvals.
- Due diligence and monitoring of complex investments.
- System & Organization Controls (SOC) 1 review from your compliance department.
- Benchmark and performance reporting.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

We assess risk at the assertion level, considering the type, nature and valuation method for each respective investment. Factors included in the assessment of the risk of material misstatement commonly include, but are not limited to:

- The type, complexity and availability of readily determinable pricing for the investment(s).
- The level of uncertainty and variability of inputs used to determine the valuation of the investment(s).
- The volume of exposure to such investments.
- Management’s level of involvement in monitoring the activity between the investment managers and custodian.
- The extensiveness of the transaction verification processes, parallel pricing systems or other tools used for pricing and valuation.
- The skills, knowledge and experience of OCERS’ staff and management in charge of monitoring and overseeing the various aspects included within investments.
- The terms of the investment, including whether the investment includes other embedded instruments.
- The level of detail, sufficiency, and adherence to internal policies governing the initiating, recording, reconciling, monitoring, exception reporting, conflict resolution and general safeguarding of investments.
- The systems in place to track various aspects of different investment contracts and compliance with those terms.

Testing procedures and sampling sizes are determined and can vary based on these assessed risks, as well as the relative size and concentration of assets under management. The documentation below represents general guidelines for scoping and testing procedures but may be modified depending on further understanding of OCERS processes, or deviations noted in testing performed. Eide Bailly will ensure sample sizes are selected following generally accepted auditing standards. Procedures and sample selection related to the testing of investments typically include, but are not limited to:

Element	Procedures May Include
<p>Examination of manager contracts and associated due diligence</p>	<p>Eide Bailly will gain an understanding of this process and select a sample to test for compliance. The sample size will vary from year to year depending on the number of new contracts entered into as well as the significance of any amendments made to existing contracts. Our sample will be representative of the population and we may select additional items based on auditor judgement considering additional factors such as higher risk contracts, size of commitment, length of contract or the complexity of investment instruments.</p>

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Element	Procedures May Include
<p>Reconciliations of current holdings to the general ledger as well as the custodian, in aggregate, and by investment type.</p>	<p>This includes gaining an understanding of the reconciliation process itself, while also understanding what OCERS' policy is regarding acceptable variances, follow-up procedures on prior reconciling items and ultimate resolution of those items. We will review the reconciliations by agreeing the amounts to third party statements, to the custodian and to general ledger information. We test to ensure reconciliations are reviewed by the appropriate personnel in a timely fashion and in accordance with the investment policy, if documented. Samples will be selected for reconciliations of various investment types throughout the year. Sample frequency, size and testing techniques used will be dependent on the reconciliation process, the frequency of those reconciliations and the monitoring process for the groups or departments involved in those reconciliations.</p>
<p>Confirmations of investments held by the custodian as well as funds held by different investment managers. This includes investments measured at Net Asset Value, including, but not limited to, hedge funds, real estate funds and private equity firms.</p>	<p>Through this process, we obtain independent verification of various aspects of the investment and contract, typically including, but not limited to:</p> <ul style="list-style-type: none"> • Ending values. • Activity during the year. • Original and remaining commitment amounts. • Existence of any side letter agreements. • March trued up values. • June rolled values. • June trued up values. • Any other significant contract terms. <ul style="list-style-type: none"> • Sample sizes for each investment type will vary from year to year depending on factors such as the size of the investment, its availability and the frequency of pricing of the investment type. Confirmations are typically emailed to the investment contact assigned to OCERS for each investment and/or manager, ensuring the confirmation gets to the correct person, resulting in the highest possible response rate. Eide Bailly is very cognizant that the information being confirmed may be proprietary and/or confidential in nature, so we work with OCERS to ensure all emails are sent securely. Alternatively, if requested, the confirmations can be mailed, or an alternative secure document-sharing method can be provided to the managers to submit the confirmation to Eide Bailly.
<p>Valuation testing for a sampled selection of investments recorded at fair value.</p>	<p>This testing provides assurance over the year-end valuation of the different investments being held by OCERS. Eide Bailly has many pricing tools at its disposal, including, but not limited to common online resources, EstateVal (third-party pricing service), Harvest Investments</p>

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Element	Procedures May Include
	<p>(third party pricing service) and Eide Bailly’s internal business valuation team. Any of these resources may be used depending on the investment type and availability of fair value information. A separate sample will be selected for each significant investment type where there is a different method of obtaining the valuation. Investments that are harder to value and do not have readily available pricing are tested through a three-step approach.</p> <ul style="list-style-type: none"> • The first step is to test the rollforward process that is being performed by OCERS or the third-party investment consultant to verify the general ledger is being updated for the various monthly or quarterly activities occurring including calls, distributions, fees and unrealized gain/loss adjustments (true ups). Testing this process, we ensure the client is recording all activity and that any differences due to timing or classification adjustments are adjusted appropriately on OCERS’ general ledger. As a part of our testing of the rollforward data, we are evaluating for the following items: <ul style="list-style-type: none"> ○ Management’s estimates and techniques. ○ Underlying data used in formulating those estimates. ○ Consistency of techniques used by management. ○ Agreeing year-end balances, cash flows, significant additions and deletions to most recent audited third-party financial statements and subsequent monthly and quarterly statements. We will also select a sample of transactions to test the cash activity occurring in the rollforward reconciling to cash movement within OCERS or the investment account. • The second step is confirming a sample of hard to value investments as discussed above. • The third step is evaluating the investment returns for OCERS by comparing to benchmarks and industry data. Through this process, we validate the reasonableness of the return and investigate and verify the basis for any significant differences from benchmark or industry data. We may utilize the expertise of our Eide Bailly Business Valuation group in this process.
<p>Purchase and sale testing for a sample selection that includes testing realized gains and losses.</p>	<p>In this testing, we are verifying the transaction was properly approved, properly recorded, activity is verified against the receipt or disbursement of funds and realized gain/loss is vouched to the general ledger as applicable.</p>
<p>Pending purchase, sale and cutoff testing for a sampled selection.</p>	<p>This testing assures transactions are reported in the correct period. For the sample selected, we verify the date the trade was initiated and compare this data to the activity to the subsequent month’s custodian statement to verify it was appropriately recorded as a pending transaction in the correct period.</p>

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Element	Procedures May Include
<p>Testing of valuation, terms, and agreements for selected samples of Securities Lending contracts, as applicable.</p>	<p>In this testing, we will obtain the Securities Lending contracts to verify the collateral amounts are appropriately maintained and reported per the terms of the Securities Lending agreement. Based on this testing, we can verify the amounts are properly reported within the statement of fiduciary net position and disclosures are properly recorded.</p>
<p>Testing and evaluation of performance returns including the use of internal and external benchmarks.</p>	<p>In this testing, we perform analytical procedures by investment type to determine whether the returns recorded are reasonable in comparison to market data, internal and external benchmarks. Additional factors considered timing of investment activity, the accuracy of information presented, and reasonableness of any explanations provided by OCERS.</p>
<p>Testing of investment footnote disclosures.</p>	<p>This testing includes obtaining an understanding of the leveling classifications as documented by OCERS to determine that the methodology used and application of that methodology appears appropriate. We will obtain the details for all the tables presented in the financial statement disclosures and test the underlying detail that is deriving that information.</p> <ul style="list-style-type: none"> • Testing of various items include GASB 72 classifications, to verify the rationale, pricing sources, trading volumes, inputs, and activities are appropriate. For items classified outside what might be considered, “normal” classifications, we will obtain detail to verify the considerations used were appropriately applied and the classification of the investment is reasonable based on the inputs used. <p>Another significant component of investment footnote disclosure testing is GASB 40.</p> <ul style="list-style-type: none"> • We will obtain the underlying detail to test the different risks associated with each investment and verify they are appropriately classified. In this area, we pay close attention to how the derivatives and securities lending items are being considered to ensure all relevant disclosures are addressed.

Should anything arise outside of the team’s expertise on-site, Eide Bailly has a dedicated valuation services team with extensive experience in complex investments. They review inputs used and assumptions made to determine the valuation of investments and compare those assumptions to benchmarks and other industry standards.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Approach to Gain and Document Internal Control Structure

A significant aspect of the planning process involves understanding each reporting units' internal control environment, including IT controls and testing of internal controls, where relevant. The following is a summary of the process Eide Bailly uses regarding internal controls over financial reporting and compliance:

Our approach will start with any documentation related to internal controls already developed. We review that documentation to obtain an overview of the internal control system and then conduct interviews with OCERS staff to complete the documentation of our understanding related to internal controls and significant changes each year.

After conducting the interviews, we will evaluate the internal control system design and expected operating effectiveness for significant areas. We expect that by completing control testing in these areas, we can reduce substantive testing and conduct an efficient audit. Our approach toward control testing will be focused on key process controls or overall system controls, rather than detailed control process testing. We will also focus on key IT related controls in process areas such as revenue, expenses and investments, as they tend to allow more efficiency for an audit perspective relative to the control process. Areas we commonly perform control tests include contributions, distributions and investment manager reconciliations.

Eide Bailly utilizes a risk-based approach incorporating both control testing and substantive tests of balances, where appropriate. In certain areas we do not consider as significant, we will plan to conduct the audit using a primarily substantive approach. It has been our experience that it is often more efficient and effective to substantively audit a balance rather than complete an extensive control test.

The approach we will take to gain an understanding of your internal controls includes:

- Interview OCERS personnel.
- Review organizational charts, accounting and procedure manuals and programs.
- Complete internal control questionnaires.
- Write-up system narratives.
- Evaluate items selected for testing.
- Review controls over financial information systems.

In addition, our engagement approach is based on two key assumptions:

- Observations to help OCERS achieve its objectives will be shared. We will also be pleased to respond to inquiries you may have about financial or other business matters.
- The assistance to be provided by your personnel, including the preparation of schedules and analyses of accounts, will be discussed with the finance department.

The timely completion of this work will assist us in performing our work efficiently, and we will communicate any potential recommendations as soon as possible.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Internal Controls and Testing of Compliance

Our approach for internal controls over compliance associated with laws and regulations is similar to the approach regarding internal controls over financial reporting related to accumulation, documentation and evaluation of the control environment.

Our approach is to identify key controls applicable to the relevant compliance requirements for testing and incorporate results from tests of internal controls over financial reporting and IT.

We will perform tests of OCERS compliance with certain provisions of laws, regulations and contracts. We will assess the risk of material misstatement resulting from violations of laws and regulations that influence the determination of financial statement amounts. These laws and regulations can relate to items such as purchasing compliance, cash and investment compliance, as well as contract compliance, as applicable.

▶▶▶ Software

Our staff utilizes progressive and effective software to streamline the audit process and make it as efficient as possible. These technologies include:

My Eide Bailly (Web-Based Client Site)

My Eide Bailly is an online client site that gives clients the ability to transfer files securely and connect digitally with Eide Bailly. Email is not a secure way to exchange documents, but My Eide Bailly can handle large file uploads in a safe, secure manner.



In addition, My Eide Bailly offers clients visibility into their projects with us, control over who can access and see files related to those projects (including third parties), and an easy way to browse invoices, articles and upcoming webinars and other events. My Eide Bailly has an Apple and Android app as well.

My Eide Bailly makes it easy to share and stay connected with Eide Bailly, creating efficiencies for both our clients and our staff during engagements. We will continue to add additional features to My Eide Bailly as we build our digital strategy to empower our clients to work with us digitally, if they choose.

Data Analytics and CAAT

We have tools available relative to the use of data analytics and Computer Assisted Audit Techniques (CAAT) that can be used as an essential aspect of providing audit services, if deemed most effective and efficient. The techniques to be used are accomplished through a combination of industry experience, gaining understanding of your specific business, data and systems, and utilizing our IT business analytics resources. We obtain data extracts from our clients to perform analytics over accounting and financial transactions.

Electronic Data Processing (EDP)

Through the use of our EDP software, our engagement approach delivers an effective and efficient use of time. We have found we can meet this objective by obtaining various reports from the EDP system. During the planning phase, we will review your EDP software to determine control features. Our procedures will test these features.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Data Extraction Software

Eide Bailly designs our approach to incorporate the use of TeamMate Analytics to maximize efficiency while conducting a very effective audit. Through TeamMate, we can extract information from related databases and create databases that check for duplicate payments, summarize payments and extract journal entries from specific accounts, develop expectations for analytical procedures and recalculate system calculations among a host of other procedures developed by our audit team.

Other Tools

- **Microsoft Excel** – Software to prepare workpapers and schedules.
- **Microsoft Word** – Software to generate memos and correspondence.
- **CCH ProSystem fx Engagement by Wolters Kluwer** – Software to facilitate the audit, retains the electronic workpapers and supporting documentation, performs project tracking, and facilitates quality review.

Adapting to Change

Many of our clients are wondering about working on their audits remotely. Eide Bailly performs all engagements in a paperless environment. As a technology-driven firm, we've seen no issues in performing audit procedures off-site from our clients. We've taken advantage of technology, such as using Microsoft Teams, which allows us to communicate with our clients face to face, while sharing screens, to make the process as seamless as possible. We're utilizing Zoom to host webinars and town hall meetings to educate and assist our clients on rapidly changing circumstances and how to successfully navigate those changes. As a result, we have no concerns completing this audit remotely should the need arise. We'll discuss with management which approach, remote vs. on-site, works best for you.

In addition, Eide Bailly has developed numerous COVID-related tools, educational events, articles and partnerships to provide our clients some direction in these unprecedented times. With matters changing on seemingly a daily basis, we're ensuring these updates are passed along to you so you can feel connected and confident as you make important business decisions. We'll continue to provide these services through this pandemic and into whatever the industry experiences next.

Analytical Procedures Used in the Engagement

Eide Bailly will apply analytical procedures throughout general planning to improve our understanding of your operations and to identify audit areas for increased attention. These will be applied to assist in planning the nature, timing and extent of other procedures. They will be applied to all Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position areas. These procedures include, but are not limited to, the comparison of current year to prior year amounts and expected amounts based on budgets and investment allocations. Areas that show results different from those anticipated or planned will be further investigated to determine the validity of the variance.

During the year-end audit fieldwork, we use analytical procedures to test if errors affecting account balances or classes of transactions have occurred by comparing the recorded amount with an independently developed expectation of that amount. We develop the expectation in such a way that a significant difference between the expectation and the recorded amount is indicative of a financial statement misstatement, unless we can obtain and corroborate explanations for the difference.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

The key areas we use analytical procedures focus on contributions, distributions, investment returns and census data. Analytical procedures are a natural extension of our understanding of your business because the key factors influencing your system may be expected to affect the financial data.

In the audit reporting phase, we perform a final analytical review at the financial statement level as the last step to ensure we comprehensively understand the financial statements during the audit engagement and to determine whether the financial statements are appropriately presented and contain appropriate disclosures. Such final analytical procedures highlight and explain significant changes from the previous year and ensure such changes are consistent with the knowledge of your system and our audit evidence. These procedures typically consider trends based on several previous years instead of comparison only with the prior period.

Communication Approach

Early in our engagements, we establish your expectations for delivery of “prepared by client” workpapers, testing and final delivery of information in advance of need by the Audit Committee and Boards. By managing to exceed these expectations, we will deliver in advance of deadlines, except for unforeseen circumstances. Technology minimizes the audit period, especially using online processes and procedures secured by our My Eide Bailly client site.

Our service model does not view the audit process as an annual “event.” Instead, we communicate with management on an ongoing basis and keep you apprised of accounting pronouncements, changes in regulations and other changes that may impact OCERS. Our communication with management will include the following:

- Personal interaction between the team serving OCERS and management in the form of meetings, phone calls and emails. We like to be involved with clients throughout the year to help address ongoing issues that impact your operations. Our preferred communication is through face-to-face meetings, or at least phone conversations. We value your time and attempt to keep meetings relevant, appropriate and productive.
- Status updates as audits progress with appropriate members of management through oral and written communications.
- Ongoing communication of important regulatory changes and accounting updates occurs via email, shortly after the changes are announced or finalized.
- Occasional webinars and seminars on topics of critical interest to our government clients will communicate important information for management to be aware.

Under this communications approach, we will discuss specific preferences you have in communicating with us, including frequency and style. As we get to know your organization, our process will become increasingly customized to OCERS, yet still follow the guidelines we have that our staff embrace as part of our service culture.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

14. Identification of Anticipated Potential Audit Problems**ANTICIPATED ISSUES**

Eide Bailly understands potential problems may arise while conducting our audit, and we are prepared to address any issues with you. We are committed to making our relationships work and do what it takes to make our clients feel comfortable, even if it means late-night conference calls.

We will also work our schedule so when we leave the field, we will be 95% done with the audit and any wrap-up will be related to report issues. We have a system in place that, combined with our experience, will translate to meeting your reporting deadlines with a smooth and efficient audit.

Communication before, during and after the audit is a hallmark of Eide Bailly's audit process. As part of our collaborative approach, we will meet with management during audit planning to thoroughly understand the OCERS' expectations and any changes to the organization.

During the audit process, we will communicate progress through oral and written status updates and discuss significant audit issues as they arise. At the conclusion of the audit, we will jointly evaluate the effectiveness of the audit and any recommendations for future changes.

As noted above, our service model does not view the audit process as an annual "event." Instead, we communicate with management on an ongoing basis and keep you apprised of accounting pronouncements, changes in regulations and other changes that may impact OCERS. Our communication with management will include the following:

- Personal interaction between the team serving OCERS and management in the form of meetings, phone calls and emails. We like to be involved with clients throughout the year to help address ongoing issues that impact your operations. Our preferred communication is through face-to-face meetings, or at least phone conversations. We value your time and attempt to keep meetings relevant, appropriate and productive.
- Status updates as audit progresses with appropriate members of management through oral and written communications.
- Ongoing communication of important regulatory changes and accounting updates occurs via email, shortly after the changes are announced or finalized.
- Occasional webinars and seminars on topics of critical interest to our government and pension plan clients will communicate important information for management to be aware of.

We will discuss specific preferences you have in communicating with us including frequency and style. As we get to know your organization, our process will become increasingly customized to OCERS, yet still follow the guidelines we have put together that our staff are expected to embrace as part of our service culture.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

COVID-19 and Timelines

As previously mentioned, we are a technology-driven firm and have seen **no issues in performing audit procedures off-site from our clients**. Currently we have been performing audit work on-site for some of our clients based on local restrictions and client requests. We will work closely with OCERS to determine the on-site visits, dependent upon local restrictions. Once all restrictions are lifted, we expect to be on-site to perform the audit procedures.

We will work on OCERS' schedule subject to OCERS' constraints, not ours. We are able to perform the audit virtually, and in the past three months, we have identified key items that make a virtual audit a success:

- Increased daily communication and weekly updates up to two-three times a week.
- A very detailed prepared by client listing: not only the list of items but who it was assigned to, expected date of completion and whether or not it has been received by the auditors.
- A list of open items we as auditors owe our clients.

Communicating and Implementing New GASB Requirements

In an industry where standards continually evolve and change, Eide Bailly makes it a priority to stay current and assist our clients with necessary changes. In addition to helping clients implement new standards, we also help them adapt to changes within the existing standards.

As explained previously in our proposal, OCERS has at their disposal **two nationally recognized GASB experts, including a former GASB Board Member who was part of the entire process of what became GASB Statement Nos. 67, 68, both of which impact OCERS**.

Additionally, several Eide Bailly professionals serve on committees that have input into how new standards are written. This enables us to be involved from the beginning and influence the outcome.

Our clients benefit from our strong understanding of the standards and how they may affect their organization. We will work with OCERS to create a plan to address new standards one to two years prior to implementation. New standards are set for implementation as indicated below; however, it should be noted that GASB just issued an exposure draft proposing to defer implementation for several of the standards up to one year.

We have included a listing of upcoming new standards and anticipated implementation dates as **Appendix F**.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Transition

Our goal is to make the transition as smooth as possible. We will manage the transition **to minimize time demands on your employees and ensure a timely first year audit in accordance with professional standards**. We are experienced in transitioning many clients from preceding professional service providers. In each case, we worked closely with client personnel and accomplished the transition with minimal disruption of client activities. The following are some of the critical activities we perform to make the transitions successful:

- Have an 'open door' policy with *no surprises*.
- Spend more time in the planning stages of the audit to understand OCERS' accounting and operational processes.
- Identify any issues during the planning stage and resolve them before starting the audit.
- Provide an extensive and detailed prepared by client list of schedules, documents and confirmations needed for the audit.
- Review current auditor's workpapers to help us understand what OCERS provided regarding schedules and other documentation. We will modify our requests to match what OCERS has seen in the past.
- Have our partners and managers spend more time in the field so when issues are identified, they are resolved in the field and not at the end of the audit.
- Meet your deadlines.
- Continue ongoing communications with management during the audit process and throughout the year.

Continuous Improvement

Eide Bailly's goal is to make the audit better each year. Part of that process is the Prepared by Client (PBC) list. We make the PBC listing a living document, one that is constantly updated for actual items needed and edited to remove any items not necessary. We also work to make that list as detailed as possible to include specific report names, file locations, etc. so only the items needed are provided by the client.

One of our firm goals is to increase efficiencies in our audits. Part of that process is geared heavily towards reducing the amount of time spent on an audit after fieldwork. Due to how these audits are scheduled, there is more pick up and put down time, which is not efficient. Because of this, we push to have as much completed by the end of fieldwork as possible to reduce the amount of time expended after this point. This allows for a more efficient and timelier audit report.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

15. Sample Formats

Due to the size of the issued reports, we have provided links to a few reports for similar clients.

Example Reports

Client Name	Report Link
Public Retirement System of Idaho	FY 2020 Annual Comprehensive Financial Report https://www.persi.idaho.gov/docs/employers/gasb/PERSI-2020-Financial-Statements-1.pdf
Public Retirement System of Mississippi	FY 2020 Annual Comprehensive Financial Report https://www.pers.ms.gov/Content/Pages/Financial-Overview.aspx

The above reports are just examples of what your report could look like. We understand and believe that the financial statement is your report, and we will work with you to deliver a final product that meets your approval while maintaining compliance with applicable standards. We have also included a sample Opinion Letter and Schedule of Findings and Responses as **Appendix G**.

16. Conflict of Interest

Eide Bailly is independent of OCERS as defined by the generally accepted auditing standards and the U.S. Government Accountability Office’s *Government Auditing Standards*. Within the past five years, the firm has not had any relationships involving OCERS.

The second general standard for auditing requires the audit organization and the auditors be free from personal and external impairments to independence. As defined by these standards, Eide Bailly is independent in fact and in appearance, and no relationships, either personal or professional, exist that would cause our firm to not be impartial in dealing with OCERS.

We are aware of no conflict of interest or other situations that would impair our independence with OCERS. Should Eide Bailly enter into any professional relationships deemed relevant during the course of this engagement, we will notify you in writing of such relationship.

17. Litigation

No member of the engagement team assigned to OCERS has been the subject of investigation or action by any law enforcement or regulatory agency in the past five years.

The firm and its partners, as well as our clients, may periodically be the subject of investigations, formal or informal inquiries, or requests for information from a variety of regulatory agencies. It is the policy of the firm not to discuss these matters, or any client-related matters, outside of the firm. It is the firm’s opinion that none of these activities have a material impact to the firm.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM



18. Other Information

ADDITIONAL RESOURCES

We pride ourselves on being leaders in the Government industry, offering valuable perspectives beyond our core strength of accounting and tax compliance. We're business advisors who want to help guide the strategy and operations of your organization, and we'll make sure you feel connected and understand the process. Our professionals work closely together so you receive valuable service from people who understand your needs and know your business.

When you work with us, you'll have access to the knowledge and talents of more than 2,500 professionals across our firm. This includes specialized tax knowledge, a full spectrum of audit/assurance services and our many specialized services, such as:

Cybersecurity

Our professionals have deep IT backgrounds, specializing in a broad range of security services and allowing us to tailor solutions to your needs. We work with every level of your organization—your boards and executives, technical IT admins and general users—to provide insight and guidance so you can be confident your data is protected.

IT Consulting

Business planning and technology strategy go hand-in-hand, like having a good offense and defense. You can't win the game without planning for both. Whether you want a better way to power your decision making, a simpler way to run your organization or you just want to see a return on your technology, a solid strategy always comes first. Our business consultants will help you define your goals and business needs so that your technology game plan keeps you winning.

Forensic Accounting

We have seasoned professionals with years of relevant investigative experience. Our forensic accountants are experienced in assisting with internal, civil, criminal and insurance recovery investigations related to allegations of theft, fraud and accounting irregularities. The forensic methodologies and technology used by our team of specialists help get to the facts of these situations and are court proven. We understand the urgency of resolving these types of matters and take pride in delivering a quality work product in an efficient and timely matter.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM



WHY EIDE BAILLY

To us, work isn't just work; we see it as a chance to help you solve problems, achieve goals and pursue passions. After thoughtfully reviewing your needs and taking the time to understand your business, we think we're the best fit for this opportunity.

We can connect you with the knowledge, resources and solutions that bring confidence to your business decisions. We want to work with you!

If you have questions or would like additional information, don't hesitate to contact us. We want to make sure you have everything you need to make your decision.



Brad Berls, CPA

Partner

208.383.4711

bberls@eidebailly.com



Roger Alfaro, CPA, CITP

Partner

909.755.2829

ralfaro@eidebailly.com

We Want to Work with You

We're driven to help clients take on the now and the next with inspired ideas, solutions and results. We look forward to working with you.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Appendix A – Team Profiles

TEAM PROFILES

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

BRAD A. BERLS, CPA

Partner

INSPIRATION: I like the constant challenges that my jobs brings. Be it the difficulties encountered on an audit or assisting clients with one of their problems, the constant challenges makes this job enjoyable.

208.383.4711 | bberls@eidebailly.com



Brad joined Eide Bailly in 2006 and has experience providing the full range of public accounting services to a wide variety of clients, including those in the manufacturing and nonprofit industries, as well as governmental entities. He also has experience servicing employee benefit plans for business clients, and regularly conducts audits and financial reviews.

When you work with Brad, you'll be working with someone who is good natured and strives to maintain excellent working relationships not only with you, but with your entire team as well. He combines his technical accounting skills with a personable approach to business that makes his clients feel welcomed and appreciated.

When he's not working on a client project, Brad loves to spend time with his family, taking them camping whenever the opportunity presents itself. He also likes to take in Idaho's breathtaking scenery from the vantage point of his mountain bike.

Client Work

Provided public accounting services to clients in various industries, including manufacturing and startups.

Consulted various government entities, focusing largely on state retirement systems.

Provided accounting and planning services related to employee benefit plans, including 401(k)s, health and welfare plans, employee stock ownership plans and defined benefit plans.

Memberships

Idaho Society of Certified Public Accountants

American Institute of Certified Public Accountants

Designation/Licensures

Certified Public Accountant (Idaho No. CP-4613)

Education

Bachelor of Business Administration, Accounting and Finance – Idaho State University, Pocatello

Community

Idaho State Society of CPA's CPE Committee

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

ROGER ALFARO, CPA, CITP

Partner

909.755.2829 | ralfaro@eidebailly.com

Roger provides accounting, audit and advisory services to governmental entities throughout California. His experience includes counties, cities, special districts and state agencies.

Roger began his professional career with a Big 4 International firm working with large governmental entities, nonprofits and other commercial entities. He has conducted financial statement audits for large county governments (including '37 Act participants), regional transportation agencies, and other governmental entities with assets exceeding \$1 billion. He has assisted California local governments with the implementation of the pension and OPEB accounting standards. His expertise also includes the complex accounting and regulatory requirements for single audit compliance, and he is recognized as a leader in Uniform Guidance audit requirements.

As a speaker and trainer, Roger has provided individualized workshops focusing on reporting requirements, new accounting pronouncements and AICPA professional standards. His expertise in this area is recognized by his clients, his peers and staff.



Memberships

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

Government Finance Officers Association (GFOA) Certificate Program Special Review Committee

Designation/Licensures

Certified Public Accountant

Certified Information Technology Professional

Education

Bachelor of Science, Business Administration – California State University, San Bernardino

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

LEALAN I. MILLER, CPA

Partner

INSPIRATION: I enjoy helping my clients achieve their goals and sharing my knowledge with professionals so they can better understand and expand their expertise in accounting.

208.383.4756 | lmiller@eidebailly.com

Lealan has 30 years in public accounting with experience in the government and employee benefit plan industries throughout his career. He has current and past partner responsibility with many similar clients in the past five years including the Public Employee Retirement System of Idaho, Public Employees' Retirement System of Mississippi, Municipal Fire and Police Retirement System of Iowa, Fire and Police Pension Association of Colorado, Wyoming Retirement System, Washington State Investment Board and the South Dakota Retirement System.

He is the past Director of the Firm's Governmental Services Group. Lealan has served as a member of the AICPA's State and Local Government Expert Panel (Panel). His involvement with the Panel includes reviewing and suggesting changes to the AICPA's State and Local Government Accounting and Audit Guide and the AICPA's Government Auditing and A-133 Audit Guide. Lealan is a past member of GASAC which advises GASB on government standards. He has government experience for various entities, including pension plans, cities, school districts, colleges and universities, counties, state agencies, single audits and nonprofits.

Lealan has presented several training courses over the years including single audit, pension plan, grant management, accounting and update, Yellow Book updates and GASB 67 and 68. He has also presented at the national level for the National Association of State Auditors, Controllers and Treasurers (NASACT), GFOA (An Accountant, an Actuary and an Auditor Walk into a Bar, 2019) and AGA.

Client Work

Provided training for a state agency client pertaining to the new Uniform Guidance, which included a review of the Guidance, group discussions and case studies. As a result of this training and improvements made by the client, they were able to see a drop in the number of findings during their single audit.

**Memberships**

AICPA; Past member of State and Local Government Expert Panel

GASAC, Member

Eide Bailly Governmental Services Group, Past Director

Idaho Society of Certified Public Accountants, Past President and Treasurer

AGA, Chair -- Financial Management Standards Board

Designation/Licensures
Certified Public Accountant (Idaho No. CP-2971)

Certified Government Financial Manager

Education
Master of Science, Accounting – California State University, Sacramento

Bachelor of Administration, Accounting – Idaho State University, Pocatello

Community
The Village Charter School, Past Board of Trustees Member

Opera Idaho, Treasurer, Past Board Member

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

ERIC S. BERMAN, CPA, CGMA

Partner

INSPIRATION: I enjoy helping governments achieve the next level of operations, transparency and knowledge. As I like to say, 'Think like a taxpayer, because you are one.' We're all working for the same goals, and if our clients succeed, we succeed.

208.424.3524 | eberman@eidebailly.com

Eric is a nationally recognized speaker, author, thought leader and auditor with a wealth of government client experience. He brings a unique perspective to the firm's clients as a former Deputy Comptroller of the Commonwealth of Massachusetts, a chief financial officer of a state agency and an audit partner with clients ranging from a well-known stadium to statewide pension systems.

Eric's unique background and decades of governmental accounting, auditing and controllership experience allows his clients to meet their standards and goals and achieve new success along the way. He's been recognized with several major awards for his public service and work, and his insight means he can help you solve problems before they happen.

In his free time, Eric enjoys spending time with family, especially his new grandson Jonah! He enjoys watching Boston sports—Red Sox, Patriots, Celtics and Bruins—but Jonah tops them all.

Client Work

Helped government entities across the U.S. understand and implement GASB Standards.

Consulted with state and local governmental clients with governmental accounting, auditing and controllership services.

Assisted clients in earning the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting.

Authored the entire governmental library of reference information and audit programs for CCH Wolters Kluwer.

Served as Deputy Comptroller of the Commonwealth of Massachusetts for 11 years and held the position of Chief Financial Officer of the Massachusetts Water Pollution Abatement Trust for five years.

**Memberships**

Represented the AGA as the Vice Chairman of the Government Accounting Standards Advisory Council (GASAC) to GASB

AGA Boston chapter president and host of the 2017 Professional Development Training conference

AGA Audit Committee chair and former chair of the Financial Management Standards Board

California Society of Certified Public Accountants, Governmental Accounting and Audit Committee

Massachusetts Society of Certified Public Accountants, Governmental Accounting and Auditing Committee

Designation/Licensures
Certified Public Accountant

Chartered Global Management Accountant

Education
Master of Science, Accountancy – Bentley University, Waltham, Massachusetts

Bachelor of Science, Broadcast Journalism – Boston University, Boston, Massachusetts

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

NIELSINE SHERK, CPA

Senior Manager

INSPIRATION: I enjoy coming to work because of the different and dynamic people I have the opportunity to work with each and every day—both internally and externally.

775.689.9279 | nsherk@eidebailly.com



Nielsine works with a variety of clients to help them meet their financial reporting requirements. Her specialties include employee benefit plans and governments, and she spends much of her time coordinating and overseeing various audit engagements.

When you work with Nielsine, you can expect a responsive, personal touch. She always tries to take the time to understand her clients' needs and assist them in a timely manner with any questions that they may have.

Outside of work, Nielsine enjoys traveling and spending time with her family.

Client Work

Leads employee benefit plan engagements teams, including defined contribution and defined benefit health and welfare plans, in planning and providing technical reviews of audit engagements and drafting financial statements to ensure compliance.

Leads government engagement teams in planning and completing audit engagements, and provides technical reviews of audit engagements to ensure compliance.

Communicates audit results and presentations to management, audit committees and boards.

Memberships

American Institute of Certified Public Accountants

Nevada Society of Certified Public Accountants

Association of Government Accountants

Designation/Licensures

Certified Public Accountant (Nevada No. CPA-5662)

Education

Bachelor of Science, Accounting - University of Nevada, Reno

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

ERIKA PARTIDA, CPA

Senior Manager

INSPIRATION: My goal is to provide exceptional client service by offering resources and being responsive to our clients.

949.420.5106 | epartida@eidebailly.com



Erika manages governmental audit engagements including developing the audit plan, managing staff on the engagements, serving as the key point of contact on engagements, communicating any issues identified during the audit and reviewing staff work and financial statements.

When you work with Erika, you can expect her to take her time to understand your organization and conduct an efficient audit.

Outside of work, Erika enjoys spending time with her family.

Client Work

Leads audit engagements of large governmental entities.

Provides resources to clients to aid in the implementation of new accounting pronouncements.

Supervises staff in the field.

Facilitates regular on-going status meetings with clients.

Issues financial statements timely in order to meet client deadlines.

Memberships

American Institute of Certified Public Accountants

Designation/Licensures

Certified Public Accountant

Education

Bachelor of Science, Accounting
– University of La Verne, La Verne, California

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

ABBIE BELTHOFF

Manager

INSPIRATION: In this career, each day brings new challenges and opportunities to improve both personally and professionally. I strive to use these opportunities to work collaboratively with clients and form lasting and meaningful relationships.

208.383.4784 | abelthoff@eidebailly.com



As an audit manager, Abbie conducts initial audit planning procedures, assists clients with accounting questions and financial statement preparation, researches accounting issues, and coordinates and works collaboratively with the audit team.

When you work with Abbie, you will be working with someone who cares about understanding your business and its needs on a deeper level and will work to provide accounting-related solutions to business issues that may arise.

Outside of work, Abbie enjoys spending time with family and friends. In the summers she enjoys camping and hiking and enjoying Idaho's great outdoors.

Client Work

Provides auditing services to clients in a variety of industries including state and local governments, state retirement plans, and companies specializing in manufacturing, distribution, and retail.

Memberships

American Institute of Certified Public Accountants

Idaho Society of Certified Public Accountants

Designation/Licensures

Certified Public Accountant (Idaho No. CP-6192)

Education

Bachelor of Business Administration, Accountancy - Boise State University, Idaho

Community

Boise State Alumni Association, Board Member

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Technical Support

ERIC A. PULSE, CISA, CISM, CRISC, CCSFP, CFSA
Principal-in-Charge of Risk Advisory

INSPIRATION: In the words of Walt Disney, "Keep moving forward." Providing value to our clients is my driving force. Our priority is to enhance the security and control structure that protects our clients' data. I am committed to partnerships with our clients, providing quality and timely service that has a positive impact on their risk, security and control environment so they can minimize risk and sleep better each night.

605.977.4847 | epulse@eidebailly.com

Eric joined Eide Bailly in 2013 and has over 25 years of experience in public accounting and consulting. He leads Eide Bailly's Risk Advisory Services practice and specializes in providing information technology, risk advisory and cybersecurity consulting services to a variety of industries, including banking, credit unions, healthcare, insurance, retail, manufacturing and governments. He advises Eide Bailly clients on how to keep their valuable data secure in a world of increasingly sophisticated cyber threats. With his many years of experience, Eric has become a true thought leader in the culture of cybersecurity.

When you work with Eric, you can expect a forward-thinking, big-picture approach to securing and protecting your data, assessing risk and implementing controls. In today's world of ever-changing risks and threats, Eric's first concern is your needs. When he's working on your behalf, you can expect a prompt response that is well thought out and tailored to those needs.

Client Work

Performs IT audits, cybersecurity and control reviews that include business continuity planning, organizational and operational controls, physical and logical access security, application and processing controls and regulatory security compliance testing. Clients include large SEC registered financial institutions.

Performs SOC 1, SOC 2 and SOC 3 third-party audits.

Works with clients on information system security certification and accreditation activities as required under Federal Information Security Management Act of 2002 for low, moderate and high impact federal information systems.

Performs comprehensive assessments of technical systems and networks to determine security features and capabilities, as well as to identify potential cybersecurity vulnerabilities.

Assesses organizations' controls to the HITRUST Common Security Framework.



Memberships

Information Systems Audit and Control Association

Designation/Licensures

Certified Information Systems Auditor – Information Systems Audit and Control Association

Certified Information Security Manager – Information Systems Audit and Control Association

Certified in Risk and Information Systems Control – Information Systems Audit and Control Association

Certified Common Security Framework (CSF) Practitioner – HITRUST Alliance

Certified Financial Services Auditor – National Association of Financial Services Auditors

Education

Bachelor of Arts, Accounting and Business Management – Dakota Wesleyan University, Mitchell, SD

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Appendix B – Licenses and Certifications

State of California
Secretary of State

CERTIFICATE OF GOOD STANDING
FOREIGN LIMITED LIABILITY PARTNERSHIP

I, ALEX PADILLA, Secretary of State of the State of California, hereby certify:

That on the **26th day of March, 2020**, **EIDE BAILLY LLP**, a limited liability partnership organized and existing under the laws of **Minnesota**, complied with the requirements of California law in effect on that date for the purpose of registering to transact intrastate business in the State of California;

That the above limited liability partnership is entitled to transact intrastate business in the State of California as of the date of this certificate subject, however, to any licensing requirements otherwise imposed by the laws of this state; and

That no information is available in this office on the financial condition, business activity or practices of this limited liability partnership.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of April 30, 2020.



ALEX PADILLA
Secretary of State

NP-25 (REV 02/2019)

LIA

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

**Office of the Minnesota Secretary of State
Certificate of Good Standing**

I, Steve Simon, Secretary of State of Minnesota, do certify that: The business entity listed below was filed pursuant to the Minnesota Chapter listed below with the Office of the Secretary of State on the date listed below and that this business entity is registered to do business and is in good standing at the time this certificate is issued.

Name: Eide Bailly LLP
Date Filed: 10/09/2019
File Number: 1109063500087
Minnesota Statutes, Chapter: 323A
Home Jurisdiction: Minnesota

This certificate has been issued on: 12/10/2019



Steve Simon

Steve Simon
Secretary of State
State of Minnesota

20 2020 121 001

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM



09/01/21 22:04:45

CPAVerify Individual Report Results

NAME: BRAD ALLEN BERLS
STATE OF LICENSE: ID
LAST UPDATED: 2021-09-01

	Business	Mail
Address:	BOISE, ID, USA	BOISE, USA
License/Permit/Certificate Number:		CP-4613
Registration Number:		
License/Permit/Certificate Status:		ACTIVE
License/Certificate Status Details:		The license is current and in good standing. The licensee can engage in the practice of public accountancy prior to the license expiration date.
License Type:		CPA
License Type Details:		Certified Public Accountant
Basis for License:		RECIPROCALITY
Basis for License Details:		Reciprocal. Applicants who have passed the Uniform CPA Examination in another jurisdiction may apply for an initial license by grade transfer. An Applicant having a valid unrevoked active license to practice as a CPA or an inactive or retired license from any jurisdiction may apply for a Reciprocal License of the same status.
Issue Date:		2006-11-22
Expiration Date:		2022-06-30
Enforcement, Non-Compliance or Disciplinary Actions:		None Reported To This Site By The Board
Other Information:		Licensing period for individuals is July 1 through June 30 and firms is October 1 through September 30. If you're checking this site on July 1st, please contact the Board for the most up to date information on this licensee.

Contact the Board for official verification of information.

State Board Contact Information:

IDAHO BOARD OF ACCOUNTANCY
P.O. BOX 83720
BOISE, ID 83720-0002

Phone: 208-334-2490
Fax: 208-334-2615
Email: ISBA@ISBA.IDAHO.GOV
Website: <https://isba.idaho.gov/>

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Appendix C – Peer Review

PEER REVIEW


Report on the Firm's System of Quality Control

January 20, 2021

To the Partners of Eide Bailly LLP and the
National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Eide Bailly LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended July 31, 2020. 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 compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA, an audit of a broker dealer, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a 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.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Eide Bailly LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended July 31, 2020, 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*. Eide Bailly LLP has received a peer review rating of *pass*.

Cherry Bekaert LLP

Cherry Bekaert LLP

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Appendix D – Engagement Letter Sample

[Date]

Orange County Employees Retirement System
2223 E Wellington Avenue Suite 100
Santa Ana, CA 92701

The following represents our understanding of the services we will provide to Orange County Employees Retirement System (OCERS).

You have requested that we audit the financial statements of OCERS, as of [Date], and for the year then ended, and the related notes, which collectively comprise OCERS's basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis
- Schedule of Changes in the Net Pension Liability of Participating Employers
- Schedule of Investment Returns
- Schedule of Employer Contributions
- Notes to Required Supplementary Information
- Significant Factors Affecting Trends in Actuarial Information – Pension Plan

Supplementary information other than RSI will accompany OCERS's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

- Schedule of Contributions
- Schedule of Administrative Expenses
- Schedule of Investment Expenses
- Schedule of Payments for Professional Services

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

- Introductory Section
- Investment Section
- Actuarial Section
- Statistical Section

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS and/or state or regulatory audit requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and, if applicable, state or regulatory audit requirements.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of OCERS's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;
 - ii. Additional information that we may request from management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by the entity's auditor;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
- f. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current period under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- g. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- h. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.
- i. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
- j. For the accuracy and completeness of all information provided.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

OCERS's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of OCERS's basic financial statements. Our report will be addressed to the governing body of OCERS. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Brad Berls is the engagement partner for the audit services specified in this letter. Responsibilities include supervising services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report. We expect to begin our audit on approximately [Date].

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices are payable upon presentation. We estimate that our fee for the audit will be \$[amount]. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use OCERS's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

In addition, we will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should our relationship terminate before our audit procedures are completed and a report issued, you will be billed for services to the date of termination. All bills are payable upon receipt. A service charge of 1% per month, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We may use third party service providers and/or affiliated entities (including Eide Bailly Shared Services Private Limited) (collectively, "service providers") in order to facilitate delivering our services to you. Our use of service providers may require access to client information by the service provider. We will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the confidentiality of client information accessed by such service provider and any work performed by such service provider.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least eight years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the Audit & Risk Committee of the Board of Trustees the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management’s consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Eide Bailly LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to [Name of Regulator] pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Eide Bailly LLP’s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to [Name of Regulator]. The [Name of Regulator] may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

DISPUTE RESOLUTION

The following procedures shall be used to resolve any disagreement, controversy or claim that may arise out of any aspect of our services or relationship with you, including this engagement, for any reason (“Dispute”). Specifically, we agree to first mediate.

Mediation

All Disputes between us shall first be submitted to non-binding mediation by written notice (“Mediation Notice”) to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator. The mediator will be selected by mutual agreement, but if we cannot agree on a mediator, one shall be designated by the American Arbitration Association (“AAA”).

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute. Mediation will be conducted with the parties in person in Travis County, Texas.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Either party may commence suit on a Dispute after the mediator declares an impasse.

The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a Dispute.

INDEMNITY

You agree that none of Eide Bailly LLP, its partners, affiliates, officers or employees (collectively “Eide Bailly”) shall be responsible for or liable to you for any misstatements in your financial statements that we may fail to detect as a result of knowing representations made to us, or the concealment or

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

intentional withholding of information from us, by any of your owners, directors, officers or employees, whether or not they acted in doing so in your interests or for your benefit, and to hold Eide Bailly harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees from any such misstatement, provided that the services performed hereunder were performed in accordance with professional standards, in all material respects.

If a claim is brought against you by a third-party that arises out of or is in any way related to the services provided under this engagement, you agree to indemnify Eide Bailly LLP, its partners, affiliates, officers and employees against any losses, including settlement payments, judgments, damage awards, punitive or exemplary damages, and the costs of litigation (including attorneys' fees) associated with the services performed hereunder provided that the services were performed in accordance with professional standards, in all material respects.

ASSIGNMENTS PROHIBITED

You agree that you will not and may not assign, sell, barter or transfer any legal rights, causes of actions, claims or Disputes you may have against Eide Bailly LLP, its partners, affiliates, officers and employees, to any other person or party, or to any trustee, receiver or other third party.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Respectfully,

Brad Berls
Partner

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of OCERS by:

Name: _____

Title: _____

Date: _____

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Appendix E –Contract Suggestions

We have reviewed the provided sample contract and have the following suggestions to note. We would be happy to discuss these more in detail upon request.

Item 2.4.4. Conformance to Applicable Requirements. All work prepared by Contractor **other than Contractor’s final audit report** shall be subject to the approval of OCERS.

Reasoning:

Exception appropriate to maintain auditor independence.

Item 2.4.5. Substitution of Key Personnel. Contractor has represented to OCERS that certain key personnel will perform and coordinate the Services under this Agreement (“Key Personnel”). The Key Personnel assigned to this Agreement are identified in the attached Exhibit “C” (“Key Personnel”). Key Personnel will be available to perform Services under the terms and conditions of this Agreement immediately upon commencement of the term of this Agreement. Should one or more of such Key Personnel become unavailable, Contractor may substitute other personnel of at least equal competence upon written approval of OCERS. Contractor shall provide OCERS written notification detailing the circumstances of the unavailability of the Key Personnel and designating replacement personnel prior to the effective date of the unavailability of such Key Personnel, to the maximum extent feasible, but no later than five (5) business days after the date of the Key Personnel’s unavailability. OCERS will have the right to approve or disapprove the reassignment or substitution of Contractor Key Personnel for any reason **provided ~~at~~ OCERS’ determination does not pose a threat to Contractor’s independence ~~sole discretion~~**. In the event that OCERS and Contractor cannot agree as to the substitution of Key Personnel, OCERS will be entitled to terminate this Agreement for cause.

Item 2.4.6. Removal of Key Personnel. Contractor agrees to remove any Key Personnel from performing work under this Agreement within twenty-four (24) hours or as soon thereafter as is practicable if reasonably requested to do so by the OCERS **and further provided OCERS’ request does not pose a threat to Contractor’s independence**.

Reasoning:

Ability to withhold approval of replacement personnel poses potential threat to auditor independence.

Item 2.6. Indemnification. To the fullest extent permitted by law, Contractor shall immediately indemnify and hold OCERS, the members of the OCERS Board of Retirement (each a “Board member”), and OCERS’ officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage, or injury of any kind, in law or equity, to property or persons, including wrongful death (collectively, “Indemnity Claims”), in any manner arising out of, pertaining to, or incident to any alleged acts, errors, omissions, or negligence of Contractor, its officials, officers, employees, subcontractors, contractors, or agents in connection with the performance of the Services, or this Agreement, including without limitation the payment of all consequential damages, and attorneys’ fees and costs, including expert witness fees. Contractor’s duty to indemnify does not extend to the Indemnity Claims caused by OCERS **sole** negligence or willful misconduct.

~~Contractor shall immediately defend, with legal counsel reasonably agreed to by OCERS and at Contractor’s own cost, expense, and risk, any and all claims, suits, actions, or other proceedings of every~~

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

~~kind that may be brought or instituted against OCERS or its Board members, officials, officers, employees, volunteers, and agents; excluding, however, such claims, suits, actions, or other proceedings arising from OCERS' sole negligence or willful misconduct. Contractor shall control the defense or settlement of any such action, except that Contractor will not have the right to settle or compromise the claim without the consent of OCERS. Contractor shall pay and satisfy any judgment, award, or decree that may be rendered against OCERS or its Board members, officials, officers, employees, volunteers, and agents as part of any such claim, suit, action, or other proceeding. Contractor shall also reimburse OCERS for the cost of any settlement paid by OCERS or its Board members, officials, officers, employees, agents, or volunteers as part of any such claim, suit, action, or other proceeding. Such reimbursement shall include payment for OCERS' attorneys' fees and costs, including expert witness fees. Contractor's obligation to defend and indemnify shall survive expiration or termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by OCERS, its Board, officials, officers, employees, agents, or volunteers.~~

Notwithstanding the foregoing, to the extent the Services are subject to Civil Code Section 2782.8, the above indemnity ~~and duty to defend~~ shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Contractor.

Reasoning:

Use of word "sole" suggests auditor may be responsible to indemnify where OCERS contributed to the loss. Prohibited by AICPA Conduct Rule 1.228.020. Under that rule, an auditor cannot indemnify an "attest client for damages, losses, or costs arising from lawsuits, claims, or settlements that relate, directly or indirectly, to the attest client's acts."

Reasoning:

Absent unequivocal admission of liability, defense requirement is unworkable: results in a conflict of interest for firm and any attorney retained to represent the client in a dispute. If firm is negligent or violated professional standards, attorneys fee shifting provision puts client in same place as if firm had defended client. In addition, firm's professional liability policies provide a defense to the firm; they do not provide a defense to firm's clients. Places firm in position where any defense obligation is borne solely by firm and its partners.

Item 2.7.2.a. Commercial General Liability. Coverage for commercial general liability insurance shall be at least as broad as Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001). Contractor shall maintain limits no less than **two million dollars (\$2,000,000) per occurrence**, or the full per occurrence limits of the policies available, whichever is greater, for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with general aggregate limit or product- completed operations aggregate limit is used, including but not limited to form CG 2503, either the general aggregate limit shall apply separately to this Agreement or the general aggregate limit shall be twice the required occurrence limit.

Reasoning:

\$1,000,000 per occurrence; \$2,000,00 aggregate. However, the limits can be satisfied by an excess liability policy.

Item 2.7.3.a.ii. Policies may provide coverage which contains deductible or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to OCERS under such policies. Contractor shall be solely responsible for deductible and/or self-insured

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

retention and OCERS, at its option, may require Contractor to secure the payment of such deductible or self-insured retentions by a surety bond or an irrevocable and unconditional letter of credit. ~~The insurance policies that contain deductibles or self-insured retentions in excess of \$25,000 per occurrence shall not be acceptable without the prior approval of OCERS.~~

Reasoning:

The firm's SIR is confidential to the firm. However, the firm can provide a letter from insurer representatives to the effect that the amount of the SIR is consistent with market for firms of EB's size and financial resources. In addition, the firm can also provide a representation to the effect that it has the ability to pay the SIR.

~~Item 2.7.3.a.iv. Each policy required in this section shall contain a policy cancellation clause that provides the policy shall not be cancelled or otherwise terminated by the insurer or the Contractor or reduced in coverage or in limits except after thirty (30) days' prior. If during the term of this Agreement Contractor's insurance policies are cancelled for any reason, Contractor shall provide OCERS written notice by certified mail, return receipt requested, has been given to OCERS,~~

Reasoning:

Professional Liability insurers will not provide notice of cancellation to 3rd parties. Eide Bailly would provide this notice.

Item 2.8. Termination of Agreement. OCERS may, by written notice to Contractor, terminate the whole or any part of this Agreement without liability to OCERS if Contractor fails to perform or breaches any of the terms contained herein. In addition, either Party may terminate this Agreement for any reason or for no reason on thirty (30) days' written notice to the other Party. Upon termination, Contractor shall be compensated only for those Services that have been performed and delivered to OCERS' ~~satisfaction in accordance with the terms of this Agreement~~, and Contractor shall be entitled to no further compensation.

Reasoning:

"Satisfaction" and words of similar import is a subjective measure of contract performance. Contractor either performs in accordance with the objective requirements of the agreement and applicable professional standards or it does not. Subjective performance standard is also an unworkable undue influence threat to auditor independence under AICPA Code of Conduct Rule 1.000.010.16.

Item 2.9.1. Documents & Data; Licensing of Intellectual Property. This Agreement creates a non-exclusive and perpetual license for OCERS to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are ~~prepared or caused to be prepared~~ **required to be delivered** by Contractor under this Agreement ("Documents & Data"). Contractor shall deliver to OCERS on demand or upon the termination or expiration of this Agreement, all such Documents & Data **for which OCERS has paid** which shall be and remain the property of the OCERS. If OCERS uses any of the data, reports, and documents furnished or prepared by Contractor for use in Services other than as shown on Exhibit A, Contractor shall be released from responsibility to third parties concerning the use of the data, reports, and documents. Contractor may retain copies of the materials. OCERS may use or reuse the materials prepared by Contractor without additional compensation to Contractor.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Reasoning:

The firm is glad to transfer ownership rights in contract deliverables. However, all methods, tools, know-how, templates, workpapers, and the like must remain the firm's property. The firm is a provider of professional services and must retain the ability to perform similar services for future clients.

Reasonable that materials OCERS has paid for become OCERS property.

Item 2.9.3.g. Upon request by OCERS and upon the termination or expiration of this Agreement for any reason, Contractor shall, **unless retention is required by applicable law or professional standards related to audit documentation**, promptly return to OCERS all copies, whether in written, electronic, or other form or media, of Customer Data in its possession or in the possession of its employees or agents, or securely dispose of all such copies, and certify in writing to OCERS that such Customer Data has been returned to OCERS or disposed of securely; and

Reasoning:

Auditor standards require auditor to retain audit documentation after the engagement is complete.

Item 2.9.4. Disclosure. Except as may be required by applicable law, neither Party shall make any disclosure of any designated confidential information related to this Agreement without the specific prior written approval from the other of the content to be disclosed and the form in which it is disclosed, except for such disclosures to the Parties' financing sources, other secured parties, creditors, beneficiaries, partners, members, officers, employees, agents, consultants, attorneys, accountants, **peer reviewers**, and exchange facilitators as may be necessary to permit each Party to perform its obligations hereunder and as required to comply with applicable laws or rules of any exchange upon which a Party's shares may be traded. Notwithstanding the foregoing, nothing contained herein shall be deemed to restrict or prohibit OCERS from complying with applicable law regarding disclosure of information, including the California Public Records Act.

Reasoning:

All CPA firms performing assurance services are subject to peer review under state law and professional conduct codes.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Appendix F – GASB Standards

GASB STANDARDS

As discussed, we have an ‘at the table’ relationship with the GASB. One of our senior managers is serving as a GASB fellow until 2022 and is working on some of these projects.

Reporting Periods		GASB Statement No.	Statement	Description of Impact
Beginning After	Ending June 30,			
12/15/19	2021	GASB-90	<i>Majority Equity Interests</i>	Impact on OCERS may only be when OCERS has a controlling interest in legally separate entities.
6/15/21	2022	GASB-87	<i>Leases</i>	Major change in lessees and lessors report leasing activity. Contracts currently disclosed as operating leases will be reclassified. Major changes necessary for policies and procedures. Special provisions for Airports and other regulatory leases.
12/15/21	2022	GASB-91	<i>Conduit Debt Obligations</i>	OCERS may be impacted significantly in borrowings from other governments.
6/15/21	2022 (and other dates)	GASB-92	<i>Omnibus 2020</i>	Certain aspects clarify existing provisions – minor changes in the disclosure of derivative instruments.
6/15/21	2022	GASB-93	<i>Replacement of Interbank Offered Rates</i>	Potential impact on LIBOR-based investments. <i>(Caution – the implementation date may be further extended should the Intercontinental Exchange Benchmark Administration extend the sunset of LIBOR as a benchmark).</i>
6/15/21	2022	GASB-97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i>	Potential change to reporting of plans and arrangements that are not defined benefit plans. Many governments are implementing this standard at the same time as GASB-84, or if GASB-84 already implemented, may cause a review of decisions especially for other employee benefit plans.
6/15/22	2023	GASB-94	<i>Public-Private and Public-Private Partnerships and Availability Payment Arrangements</i>	Impact on OCERS could be significant, especially in infrastructure as federal infrastructure funds may prioritize P3s. Uses the same framework as GASB-87, but for service concession arrangements and similar. Major changes necessary for policies and procedures.
6/15/22	2023	GASB-96	<i>Subscription-Based Information Technology Arrangements</i>	Potentially as large an impact as GASB-87 as it uses the same framework, but for technology contracts, so-called ‘cloud’ – based computing, enterprise resource planning systems and applications.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Additional projects that the GASB is working on that may have an impact on OCERS during our engagement include (by date of potential implementation):

<i>GASB Project</i>	<i>Potential Implementation</i>	<i>Description of Impact to COAERS</i>
<i>Compensated Absences</i>	Reporting periods beginning after 12/15/2022 (2023 for OCERS).	Proposed change in the accrual calculation and disclosure of distinct types of sick leave, vacation, sabbaticals and other forms of leave. Could become GASB-99.
<i>The Annual Comprehensive Financial Report</i>	Fiscal years ending after December 15, 2021 (2022 for OCERS).	Renaming the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report. The current abbreviation used is a pejorative in some cultures. (All references to the former abbreviation have been removed in this proposal). Could become GASB-98.
<i>Omnibus</i>	Various reporting periods due to nature of project: Alignment of GASB-93 to international LIBOR change, periods beginning after June 15, 2021. Amendments to GASB Statements 87, 94 and 96, periods beginning after June 15, 2022. Amendments to GASB Statements 53 and 62, periods beginning after June 15, 2023.	Proposal to expand financial guarantees to exchange and exchange-like transactions instead of just nonexchange financial transactions. Potential new GAAP for noneffective derivative transactions. Alignment of SNAP distribution accounting to existing GAAP relating to government-mandated and voluntary nonexchange transactions. Minor changes proposed to revenue pledges. Amendments to lease term calculation for provisions that allow for terminations of leases due to the action or inaction of another party and for short-term leases where both lessee and lessor have an option to terminate without the permission of the other party. Modifications to short-term leases would be reassessed from the inception of the lease. Adjustment of remeasurement of lease liabilities and receivables for changes in indexes or rates. Clarifications to lease incentive language. Aligning provisions to GASB-94 and 96.
<i>Accounting Changes and Error Corrections</i>	Reporting periods beginning after June 15, 2023.	Addresses inconsistencies in presentation of changes in accounting principle, changes in accounting estimates, changes to (or within) the financial reporting entity, error corrections and first-time adoption of GASB standards by entities that do not follow generally accepted accounting principles. Could impact most on changes in accounting estimates related to investment valuations. Changes in estimates would be enacted prospectively, but with required note disclosure. Any other adjustments, restatements and changes would be displayed by reporting unit. Management's Discussion and Analysis and Required Supplementary Information may also be impacted by such changes.
<i>Risks and Uncertainties Disclosures *</i>	Unclear, but potentially in 2024.	Major project that may introduce key disclosures of estimates, uncertainties, concentrations and risks.
<i>Financial Reporting Model Improvements *</i>	Likely 2025.	Changes to the Management's Discussion and Analysis, Governmental Fund measurement focus and basis of accounting, proprietary fund accounting and financial reporting along with other elements.

*Eide Bailly senior manager Janeen Hathcock is working on these projects. Additional projects from the GASB include *Revenue and Expense Recognition*, which is currently in due process with a final standard not likely until at least 2024. Additional due process documents are outstanding for adjustments to the GASB's *Conceptual Framework* in the areas of recognition and disclosure.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Appendix G – Sample Reports

Independent Auditor's Report

To the Board of Trustees
Public Employees' Retirement System of [REDACTED]
City, State

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Employees' Retirement System of [REDACTED] (the System), which comprise the statement of fiduciary net position as of December 31, 2021, and the related statement of changes in fiduciary net position, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective statement of the fiduciary net position of the Public Employees' Retirement System of ██████████, as of December 31, 2021, and the respective statement of changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages X-X and the required supplementary information on pages X-X be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The introductory, investment, actuarial, statistical and supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The additional supplementary information accompanying financial information including the Schedule of Administrative Expenses and Depreciation, Schedule of Managers' Fees, Investment Global Out-of-Pocket Fees, and Professional Service Fees are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have 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 them.

Boise, Idaho
May XX, 2021

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

██████████ Retirement System
 Schedule of Findings and Responses
 Year Ended December 31, 2020

Investment Related Adjustments
Significant Deficiency

Criteria:

During the course of the audit, adjustments related to investment valuation and the recording of investment management fees were noted by the auditors and adjusted by management. The ending valuation of investments for two investment managers were incorrect as of December 31, 2020 and were subsequently corrected by management. Investment management fees for certain alternative investment managers were originally booked to unrealized gain/loss for the year ended December 31, 2020 and were corrected by management to be recorded as management fees.

Condition:

An internal control system for the review and posting of year-end financial information should be designed to prevent and detect any errors in custodian reporting. The custodial reporting errors were not detected by management as part of the closing process.

Cause:

Due to time constraints and manual processes, these adjustments were not detected by management.

Effect:

Correcting entries were booked during the course of the audit to correctly state the ending investment valuation and investment manager fees. Without these internal controls, the possibility of a misstatement of the financial statements occurring increases. The amount of the adjustments did not exceed the audit materiality thresholds for the plans, and thus this item was classified as a significant deficiency in internal control.

Recommendation:

Management should examine the current internal monitoring process and work with the investment custodian to ensure appropriate review and approval processes are in place.

Views of Responsible Officials:

Management agrees with the finding and has implemented additional controls. These controls include: working with the custodian bank to institute additional checks before custodial reports are issued; adding procedures to ensure custodial reports are reconciled and deemed final before incorporating into our financial reports; and scheduling more time for review before providing the financial statements to the external auditors for audit review. Additionally, management will seek a new position within the accounting section in the upcoming legislative session to further strengthen internal controls. The position must be approved by the legislature before being implemented.

██████████ Annual Comprehensive Financial Report



Caring for our external and internal clients with a passion to go the extra mile.

Respecting our peers and their individual contributions.

Conducting ourselves with the highest level of integrity at all times.

Trusting and supporting one another.

Being accountable for the overall success of the firm,
not just individual or office success.

Stretching ourselves to be innovative and creative, while managing the related risks.

Recognizing the importance of maintaining a balance between work and home life.

Promoting positive working relationships.

And, most of all, enjoying our jobs ... and having fun!



What inspires you, inspires us.

eidebailly.com



**FINANCIAL AUDITOR SERVICES
REQUEST FOR PROPOSAL**

Orange County Employees Retirement System (OCERS)

**PRESENTED BY:
MACIAS GINI & O'CONNELL LLP**

SEPTEMBER 3, 2021



ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM (OCERS)

Table of Contents

SECTION 1	
Exhibits.....	1
SECTION 2	
Company Profile.....	3
SECTION 3	
Engagement Team	15
SECTION 4	
Work Plan.....	31
SECTION 5	
Price Proposal.....	55
SECTION 6	
Attachments	
1. Business License.....	57
2. Sample Standard Professional Services Contract.....	58
3. Sample Formats for Required Reports.....	70



September 3, 2021

Jim Doezie
OCERS
2223 E Wellington Ave., Suite 100
Santa Ana, CA 92701

Dear Mr. Doezie,

On behalf of Macias Gini & O'Connell LLP (MGO), I am pleased to present our proposal to provide financial auditor services to the Orange County Employees Retirement System (OCERS) for the years ending December 31, 2021, 2022, and 2023, with an option to renew for an additional three (3) years, as described in the Request for Proposal.

On the pages that follow, you will see why we are the best qualified to serve OCERS, based on our:

- Innovative audit approach
- Expertise on public employees' retirement systems
- Value-added services specific to governmental entities

We confirm our understanding of the scope of services we are to provide for OCERS and are committed to performing the services as requested within the prescribed time period.

As partner, I have authority to act on behalf of the firm. If you have any questions or wish to discuss our proposal further, please contact me at 925.395.2808 or dbullock@mgocpa.com. My office address is 2121 N. California Blvd., Suite 750, Walnut Creek, CA 94596, and our fax number is 925.274.3819.

Sincerely yours,

A handwritten signature in black ink that reads 'David Bullock'.

David Bullock, CPA
Partner

Three Reasons

MGO IS THE RIGHT CHOICE FOR YOU

01

INNOVATIVE AUDIT APPROACH

EFFICIENT AND EFFECTIVE SOLUTIONS

MGO is at the forefront of incorporating transformational audit techniques supported by state-of-the-art technologies into its audit methodology. The use of data mining software forms the foundation of our data driven audit approach that incorporates analytical procedures that allows us to analyze both structured and unstructured data, and, where applicable, analyze entire populations of data significantly increasing the effectiveness and efficiency of our testing. As a result of our years of commitment to the development of intelligent and efficient audit approaches, MGO is one of the prominent firms to join the AICPA and Caseware International in developing the Dynamic Audit Solutions Methodology Tool. While striving to reach the ultimate goal of fully implementing data science, the current state of our innovative approach to auditing ensures the highest degree of quality and efficiency while delivering responsive and timely service to our clients.

02

UNDERSTANDING THAT COMES ONLY WITH PERS EXPERIENCE

PROVEN TRACK RECORD

Given the unique challenges caused by the COVID-19 pandemic, you need a service provider that can hit the ground running to assist in completing the audits efficiently and timely. MGO's State and Local Government Industry Group includes over 125 government assurance and advisory specialists with unmatched experience in providing assurance and advisory services to the largest and most complex public employees' retirement systems in the country, including the California Public Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS), and the Oregon Public Employees Retirement System (Oregon PERS). This expertise is further enhanced by our network of specialists in data science, actuarial science, investment valuations, and IT assessments.

Having had the opportunity to provide OCERS with external audit services, we have direct knowledge and understanding of the unique risks, challenges, and complexities facing OCERS in the coming years. We understand your operations, relationships with plan sponsors, your accounting and benefit administration systems, and the level of coordination required to complete the audit in a timely and efficient manner. While our competitors will require significant "ramp up time" and resources to gain an understanding of OCERS and its control environment, we can leverage our institutional knowledge and experience and focus our efforts on significant areas that pose risk or create concern for you.

03

BEYOND THE BASIC AUDIT

VALUE-ADDED SERVICES

We know how important it is to be fast, flexible, and still deliver reliable and quality results to assist you in achieving your goals. In addition to complimentary trainings on emerging issues, you can lean on us for other assistive services, including insights on financial and information management, business support practices, and system implementation projects. Throughout our professional relationship, we have responded to the needs of OCERS Audit Committee and management by providing added value beyond the basic financial statement audit services. In recent years, we have assisted OCERS, plan sponsors and their auditors in navigating the implementation challenges of new standards on pensions (GASB 67/68), fair value measurement (GASB 72), and other postemployment benefits (GASB 74/75).

Our Firm expertise is nationally recognized through our active involvement with the national accounting and auditing standard setters. MGO representatives have participated on the AICPA's State and Local Government Expert Panel, the Executive Committee for the AICPA Governmental Audit Quality Center, AICPA Government Performance and Accountability Committee (GPAC) and various GASB advisory committees and task forces. Our active involvement with the national standard setters results in OCERS having a "voice" in the standard setting process on emerging issues that impact the financial reporting and audit process.

You will directly benefit from our expert knowledge in the government arena, and have our commitment that we will continue to put forth the most qualified and responsive professionals to provide OCERS with valuable advice.

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SECTION 1

Exhibits



A new breed
of professional
services firm

Exhibit B
MINIMUM QUALIFICATIONS CERTIFICATION

All firms submitting a proposal in response to this RFP are required to sign and return this attachment, along with written evidence of how the respondent meets each qualification.

The undersigned hereby certifies that it fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

Minimum Qualifications include:

1. The firm should have at least five (5) years prior experience in auditing governmental agencies and/or public pension funds.
2. The Engagement Partner must be licensed to practice in the State of California as a certified public accountant, and must demonstrate a strong knowledge of governmental accounting and auditing requirements based on prior experience leading audits of governmental agencies, or large pension or retirement systems with at least \$1 billion in plan net assets.
3. The firm should be licensed to practice in the state of California and be in good standing with the state.

The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.

David Bullock
Authorized Signature

September 3, 2021
Date

David Bullock, Partner
Name and Title (please print)

Macias Gini & O'Connell, LLP
Name of Firm

SECTION 1 | EXHIBITS



Exhibit C

PROPOSAL COVER PAGE AND CHECK LIST (TO BE SUBMITTED IN FIRM'S LETTERHEAD)

Respondent Name: Macias Gini & O'Connell, LLP

Respondent Address: 2121 N. California Blvd., Ste. 750, Walnut Creek, CA 94596

By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to comply with all requirements.

Respondent specifically acknowledges the following:

1. Respondent possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
2. Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of services.
3. The fee schedule submitted in response to the RFP is for the entire scope of services and no extra charges or expenses will be paid by OCERS.
4. Respondent has completely disclosed to OCERS all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of OCERS, or other officer, agent, or employee of OCERS presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
5. Materials contained in the proposal and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the California Public Records Act.
6. Respondent is not currently under investigation by any state or federal regulatory agency for any reason.
7. Except as specifically noted in the proposal, respondent agrees to all of the terms and conditions included in OCERS Services Agreement.
8. The signatory below is authorized to bind the respondent contractually.

David Bullock, Partner

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

SECTION 2

Company Profile



A new breed
of professional
services firm

Profile of the Firm

Macias Gini & O'Connell LLP (MGO, a Limited Liability Partnership) is a statewide Certified Public Accounting firm. We have a staff of over 400 professionals, with over 125 governmental staff and 17 offices both nationally and internationally. Since its inception in Sacramento in 1987, MGO has been providing auditing, consulting, and financial management-related services. Drawing from our years of experience, MGO has a thorough understanding of public agencies and their need for transparency and accountability to their constituents.

MGO is consistently ranked among the fastest growing CPA firms in the nation and our State and Local Government Practice is one of the largest in the country, offering unmatched resources in serving this highly complex sector. As the professional service provider for numerous public agencies throughout California, MGO has established an excellent working relationship with our clients and delivers quality products in a timely manner with an insightful perspective on ways to improve service delivery.

We take our commitment to "good government" seriously. Our experience encompasses working with counties, cities, state agencies, special districts, private firms, and some of the world's largest public pension system. In addition to general-purpose units of government, we serve districts, authorities, boards, and commissions.



Firm Qualifications and Experience



As the professional service provider for numerous public agencies throughout the western United States, MGO has established an excellent working relationship with our clients and delivers quality products in a timely manner with an insightful perspective on ways to improve service delivery.

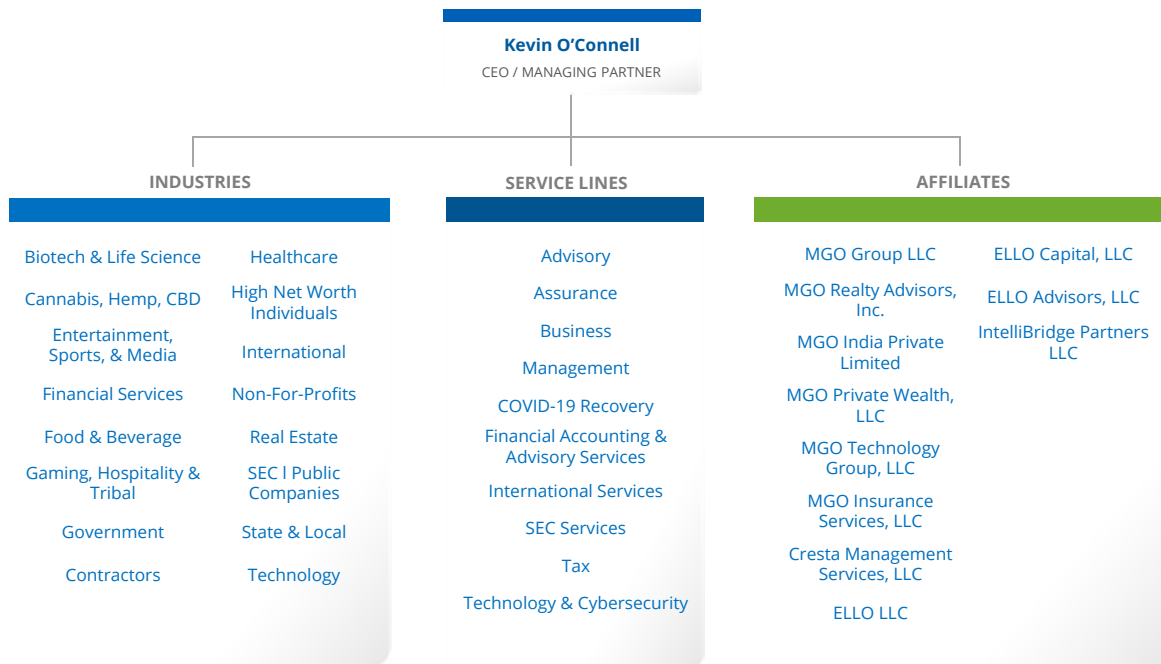
MGO has earned its reputation of having the necessary experience and expertise to serve the most complex governments in California. This expertise is essential considering the environment in which OCERS operates has changed significantly in response to public expectations of how governments should function. There is an increased demand for fiscal accountability, sound governance and transparency within the public sector. MGO is uniquely qualified to assist OCERS in meeting these public expectations through the financial and compliance audit process.

MGO is committed to serving its clients and profession through active participation with the national standard setters. MGO has served on the AICPA State and Local Government Expert Panel, as well as various Governmental Accounting Standards Board advisory committees. This commitment to thought leadership ensures that our clients receive the highest degree of guidance and counsel on technical matters and other emerging issues, as well as having a voice at the table.

We have performed a vast majority of our assurance services in accordance with the following professional standards and requirements.

- Auditing standards generally accepted in the United States of America as promulgated by the AICPA.
- *Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States, 2018 revision.
- Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

All management members of the engagement team serving OCERS are licensed Certified Public Accountants in the State of California. We have the resources for OCERS' engagement that will be available in accordance with the RFP. MGO will not be subcontracting any portion of the audit to another individual or firm.



Annual Revenues

Annual revenues for the year ended December 31, 2020 were \$82 million.

Fast Facts

NATIONAL AUDIT & ACCOUNTING

Standards & Emerging Issues



The MGO thought leaders shaping national professional standards are the same leaders of your proposed engagement team.



Thought Leadership

Accounting Standard Setters

- David Bullock is on the GASB Financial Reporting Model Reexamination Task Force. The task force is comprised of a diverse group of users, preparers, and auditors of government financial statements. The objective of the task force is to provide perspective to GASB members on project issues that arise during the development of the guidance over the financial reporting model.
- Richard Green, Partner at MGO, was a member of the AICPA State and Local Government Expert Panel Pension Comment Letter Task Force, which reviewed and commented on the Governmental Accounting Standards Board (GASB) exposure drafts on pension accounting and reporting for employers and benefit plans. Richard leads our public employee benefit plan practice. For over 14 years, he has overseen the assurance and advisory services provided to public defined benefit pension plans, other postemployment benefit plans, and defined contribution pension plans. The financial statements of these entities follow GASB Statement Nos. 67, and 74. In addition, Richard has been involved with pension plan, state and local government audits that follow GASB Statement Nos. 34, 68, and 75.
- MGO has unmatched experience providing assurance services to large and complex public employees' retirement systems, including a robust understanding of the reporting and auditing requirements related to GASBS 67, 68, 74, and 75. Our efficient, technology-enabled approach meets reporting requirements while also providing valuable insights on financial and operational performance.

Certificate of Achievement Expertise

Our reputation has been established by serving governmental entities ranging from small municipalities and counties, to some of the largest government organizations in the State with budgets in excess of \$22 billion. MGO is committed to excellence in financial reporting. Our firm has assisted in the Special Review Committee in reviewing Comprehensive Annual Financial Reports for the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting Program.

Auditing Standard Setters

- David Bullock, proposed engagement partner, recently completed a 3-year term on the State and Local Government Expert Panel (EP), a fifteen-person nationwide panel responsible for addressing practices and emerging issues in the public sector. The EP serves as the profession's primary liaison to the GASB and regulators such as the U.S. Government Accountability Office and the U.S. Office of Management and Budget. As an EP member, David has reviewed and offered revisions in the AICPA's Audit and Accounting Guide for State and Local Governments.
- MGO is a member of the AICPA Governmental Audit Quality Center (GAQC). The GAQC was established in 2004 and its primary purpose is to provide resources to promote high quality governmental audits. To demonstrate our commitment to quality auditing practices, MGO was one of the first firms in the U.S. to join the GAQC.
- In 2018, Mr. Bullock was appointed to the California Society of CPAs' Governmental Accounting and Auditing Committee. The GAAC improves the quality of financial reporting on governmental entities by providing practical guidance to CPAs in the area of governmental accounting and auditing. It partners with the California Committee on Municipal Accounting to regularly issue white papers offering guidance to CPA firms and governmental entities, including the white paper issued in March 2020 on GASB Statement No. 84, *Fiduciary Activities*.

2nd Fastest
growing firm
in the country

- Accounting Today | 2020

FAST FACTS

PROVEN EXPERIENCE

MGO is the leading provider of audit services to large government entities in California:

MGO AUDITS
9 OF THE **15**
LARGEST CITIES IN
CALIFORNIA



Experience in Retirement Plans

MGO has a longstanding record of service to California retirement systems and the participating public agency employers.

Throughout our professional relationships with public employee retirement systems, we have responded to the needs of boards and management by providing added value beyond basic financial auditor services. During the past several years we have assisted our clients navigating the implementation challenges of the Governmental Accounting Standards Board (GASB)'s most significant rules ever approved for pension and OPEB plans: GASB 67, *Financial Reporting for Pension Plans*; GASB 68, *Accounting and Financial Reporting for Pensions*; GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This includes producing reports on GASB 68 Schedules of Pension Amounts by Employer, and related notes, as well as developing templates for clients to use for their GASB 68 reporting.

Most recently we have assisted management in evaluating the requirements for implementing GASB 84, *Fiduciary Activities*. In doing so, we submitted a technical inquiry to GASB on behalf of the system to clarify the presentation of the newly defined custodial funds. The response and guidance provided to management was beneficial in assisting them in determining the best presentation of required information.

In addition to assisting our clients navigate challenging financial reporting changes, we have extensive experience with other changes such as replacing pension administration systems and transitioning custodian banks.

Below is a representative list of public retirement systems audited by MGO.

PERS Auditing Experience					
Entity	Type of Plan(s)	Scope of Work	Most Recent Audit Year	Number of Years	Plan Assets (in thousands)
California Public Employees' Retirement System	A, C, S	Financial Statement and GASB 68 audits	2018	11	\$ 417,691,308
California State Teachers' Retirement System*	C	Financial Statement and internal audits	2012	7	282,856,149
Oregon Public Employees Retirement System	C, S	Financial Statement and GASB 68 audits	Current	10	84,688,888
Public Employees' Retirement System of Nevada	A, C, S	Financial Statement and GASB 68 audits	Current	3	47,569,260
San Francisco Employees' Retirement System	C	Financial Statement and GASB 68 audits	Current	11	27,246,093
Orange County Employees' Retirement System	C	Financial Statement and GASB 68 audits	Current	11	20,031,160
San Diego County Employees' Retirement Association	C	Financial Statement and GASB 68 audits	2014	10	13,670,760
San Bernardino County Employees' Retirement Association	C	Financial Statement and GASB 68 audits	2019	9	10,589,578
San Diego City Employees' Retirement System	S	Financial Statement and GASB 68 audits	Current	10	8,851,770
City of San Jose Federated City Employees' Retirement System	S	Financial Statement and GASB 68 audits	2015	15	3,930,182
City of San Jose Police and Fire Department Retirement Plan	S	Financial Statement and GASB 68 audits	2015	15	2,537,796
Stanislaus County Employees' Retirement Association	C	Financial Statement and GASB 68 audits	2014	6	2,316,719
Merced County Employees' Retirement Association	C	Financial Statement and GASB 68 audits	2016	12	920,533
City of Oakland Fire and Police Retirement Plan	S	Financial Statement and GASB 68 audits	Current	16	419,147
Sacramento City Employees' Retirement System	S	Financial Statement and GASB 68 audits	Current	2	265,602
Pasadena Fire & Police Retirement System	S	Financial Statement and GASB 68 audits	Current	6	130,600

A = Agent Multiple-Employer
 C = Cost-Sharing Multiple-Employer
 S = Single Employer

* In addition to the financial audits we perform, we are retained by and currently perform internal audit services for the California Teachers' Retirement System (CalSTRS) in the areas of operational risk assessments and advising on investment portfolio risks.

Experience in Local Governmental Units

Our firm's State and Local Government practice is one of the largest in the U.S. and offers unmatched resources in serving this highly complex sector, with specialists who are dedicated to year-round service. In California, our local government specialists have served over 100 cities, 16 counties, and more than 200 special purpose units of government. When it comes to auditing large, complex California agencies, our experience is unmatched.

Our firm has extensive experience working with public agency clients on operational, performance, compliance, and financial engagements. One reason our clients choose us is our hands-on, service-oriented business philosophy coupled with our commitment to quality, reliability, and responsiveness to client needs: we come alongside and partner with each client. MGO combines the skills, personality, attentiveness, and caring of a local firm with the breadth of services you expect from a national and international firm. We strive to exceed client expectations for timely communications.

MGO's experience runs deep with state and local government entities, with an emphasis working with California agencies. We are thoroughly familiar with the operations and financial processes of local governments, based on our relationships with the following entities:

CITY GOVERNMENTS

- Albany
- Antioch
- Arvin
- Barstow
- Beaumont
- Berkeley
- Chico
- Chowchilla
- Compton
- Covina
- Cupertino
- Elk Grove
- Encinitas
- Fort Bragg
- Foster City
- Fremont
- Fresno
- Galt
- Glendora
- Hawaiian Gardens
- Hesperia
- Huntington Beach
- Inglewood
- Irvine
- La Habra
- Lake Forest
- La Mesa
- La Mirada
- Lodi
- Long Beach
- Los Altos
- Los Angeles
- Modesto
- Monrovia
- Moorpark
- Morgan Hill
- Mountain View
- Needles
- Oakland
- Palo Alto
- Pasadena
- Pleasant Hill
- Pleasanton
- Riverside
- Rohnert Park
- Rolling Hills Estates
- Roseville
- Sacramento
- San Carlos
- San Diego
- San Francisco
- San Jose
- Santa Ana
- Santa Barbara
- Santa Monica
- Santa Rosa
- Sebastopol
- Simi Valley
- South El Monte
- Stockton
- Sunnyvale
- Temple City
- Tustin
- Union City
- Vacaville
- Ventura
- Vernon
- West Sacramento
- Winters
- Woodland
- Yorba Linda

COUNTY GOVERNMENTS

- Alameda
- Butte
- Contra Costa
- El Dorado
- Fresno
- Glenn
- Los Angeles
- Merced
- Napa
- Orange
- Placer
- Riverside
- Sacramento
- San Bernardino
- San Diego
- San Francisco
- San Mateo
- Santa Clara
- Sonoma
- Stanislaus
- Tulare
- Tuolumne
- Ventura
- Yolo

To further illustrate our background and experience auditing governmental entities, the table below summarizes a representative listing of our significant general purpose governmental clients and the respective years of service. Our ability to retain these clients repeatedly through competitive bid processes demonstrates our clients' high level of satisfaction with our services and expert advice.

General-Purpose Governments (Cities)	Number of Years	Comprehensive Annual Financial Report	Single Audit	Water/ Sewer/ Power Utilities	Retirement Plans	Other Compliance Audits	Appropriations Limit AUP
Fremont	9	■	■			■	■
Los Angeles	7	■	■	■			■
Mountain View	5	■	■	■		■	■
Oakland	17	■	■	■	■	■	■
Palo Alto	10	■	■	■		■	■
Sacramento	12	■	■	■	■		
San Diego	17	■	■	■	■		
San Francisco	17	■	■	■ ⁽¹⁾	■	■	■
Pleasant Hill	10	■	■			■	■
San José	19	■	■	■	■	■	■
Santa Rosa	17	■	■	■		■	■
Sunnyvale	8	■	■	■	■	■	■
General-Purpose Governments (Counties)	Number of Years Served	Comprehensive Annual Financial Report	Single Audit	Water/ Sewer/ Power Utilities	Retirement Plans	Other Compliance Audits	Appropriations Limit AUP
Alameda	14	■	■		■ ⁽¹⁾		
Contra Costa	8	■	■		■ ⁽¹⁾⁽²⁾		■
Los Angeles	14	■	■		■ ⁽¹⁾⁽²⁾	■	■
Sacramento	12	■	■	■	■	■	■
San Diego	17	■	■	■	■	■	■
San Mateo	25	■	■		■ ⁽¹⁾	■	■
Santa Clara	20	■	■			■	■
Tuolumne	25	■	■	■		■	■

⁽¹⁾ Incorporated results of other auditors' reports to the primary government's basic financial statements.

⁽²⁾ To be incorporated with the implementation of GASB Statement No. 84, *Fiduciary Activities*.

Staff and Management Rotation Policy

Beginning with the 2014-15 fiscal year, local agencies will be subject to California Assembly Bill 1345 added section 12410.6.(b) to Government Code regarding auditor rotation requirements of public accounting firms providing audit services to local agencies. Government Code section 12410.6.(b) indicates that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, as performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013-14 fiscal year.

Studies have shown that familiarity with and knowledge of an organization does not diminish audit quality; rather, it enhances audit quality and mitigates the risk of an audit failure. Our knowledge of OCERS' current accounting system, service providers, and operations will lessen the burden on OCERS staff during the course of the audit. We are also committed to bringing innovative, far reaching perspectives to all of our long-term engagements, and find great value in rotating key engagement members to maintain a fresh and independent evaluation of OCERS.

The proposed engagement team brings institutional knowledge to OCERS and will serve to transition the audits to a new partner during the contract term in the event OCERS exercises all the option years. David Bullock, proposed engagement partner, also provides a fresh perspective, while staff members will have working knowledge of OCERS' complex operating environment. This approach will ensure consistent quality service and minimize disruptions to OCERS.

MGO's State and Local Government practice includes 13 qualified partners and directors who are dedicated to serve on governmental engagements. As such, we are uniquely positioned to address the auditor rotation requirement of section 12410.6.(b) when the times comes.

Auditor Rotation

EXECUTIVE SUMMARY: KEY ISSUES

The concept of mandatory auditor rotation has been a source of speculation and confusion among many boards of directors and finance executives over the past several years. This infographic includes key facts to consider when assessing the need to change independent auditors.

CASE IN POINT

The City of San Jose had retained MGO as its auditors for 15 years and selected another accounting firm in the last RFP process. However, after 2 years, the City decided to engage MGO again as its auditors.

AUDITOR ROTATION

INDUSTRY STANDARDS & BEST PRACTICES

- 01 The AICPA is publicly opposed to mandatory audit rotation.
 “It is clear from the record that such a requirement would be costly and likely have significant negative impacts on audit quality with uncertain benefits.”
AICPA | Letter to House of Representatives, July 8, 2013
- 02 The House of Representatives passed a bill banning mandatory auditor rotation.
 The U.S. House of Representatives, Audit Integrity and Job Protection Act - Passed by a vote of 362 - 62
 July 8, 2013.
H.R. 1564, 2013
- 03 The world's most successful companies continue to retain auditors an average of 16 years.
 Auditor Tenure Statistics
 Russell 3000 | Largest Public Companies
 Average Tenure: 17.9 years
 Longest Tenure: 141 years

Audit Analytics | August 20, 2020

We firmly believe mandatory rotation is not in the public interest, risks harm to audit quality, would impose significant costs on businesses and shareholders without commensurate benefit.

Barry C. Melancon, CPA, CGMA
 President and CEO
 American Institute of CPAs AICPA

SECTION 2 | COMPANY PROFILE

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SECTION 3

Engagement Team



A new breed
of professional
services firm

Engagement Team

Members of your engagement team are selected based on their extensive background in conducting audits of governmental pension plans, such as OCERS. All key team members are experienced in assisting in the preparation of award-winning Comprehensive Annual Financial Reports for public employee retirement systems in accordance with Government Finance Officers Association (GFOA) requirements.

Each of our key engagement team members possesses:

- Broad public pension plan industry experience
- Understanding of the major issues facing public employee retirement systems
- Demonstrated technical proficiency

The proposed audit team members are all full-time members of our firm. The audit team will be staffed from our Northern California offices. All management members of the engagement team serving OCERS are licensed Certified Public Accountants in the State of California.

Managing emerging risks in information systems and the IT environment will become increasingly important to OCERS' risk management processes. You will benefit from audit professionals who possess the knowledge and expertise to help assess vulnerabilities, recommend best practices, and institute controls within the enterprise. As such, our local team includes CISA-certified auditors who will examine the integrity and reliability of the financial system from different angles. In addition, through the MGO Technology Group, we have direct access to IT specialists with in-depth knowledge on various IT-related issues such as cybersecurity and controls affecting the IT environment.

Technical Review / Quality Control Team

MGO's quality control process includes a technical reviewer who will consult regularly with the engagement teams and OCERS management to ensure our services meet the highest level of technical and professional standards. Our firm has over 13 individuals qualified to perform technical reviews and whose primary focuses are state and local governments.

Information Technology Team

The information technology (IT) team will assist the individual audit teams in identifying information risks that could result in significant audit risk. The team will also assist in identifying and testing general and application level controls for information systems that are critical to the administration of the pension plan.

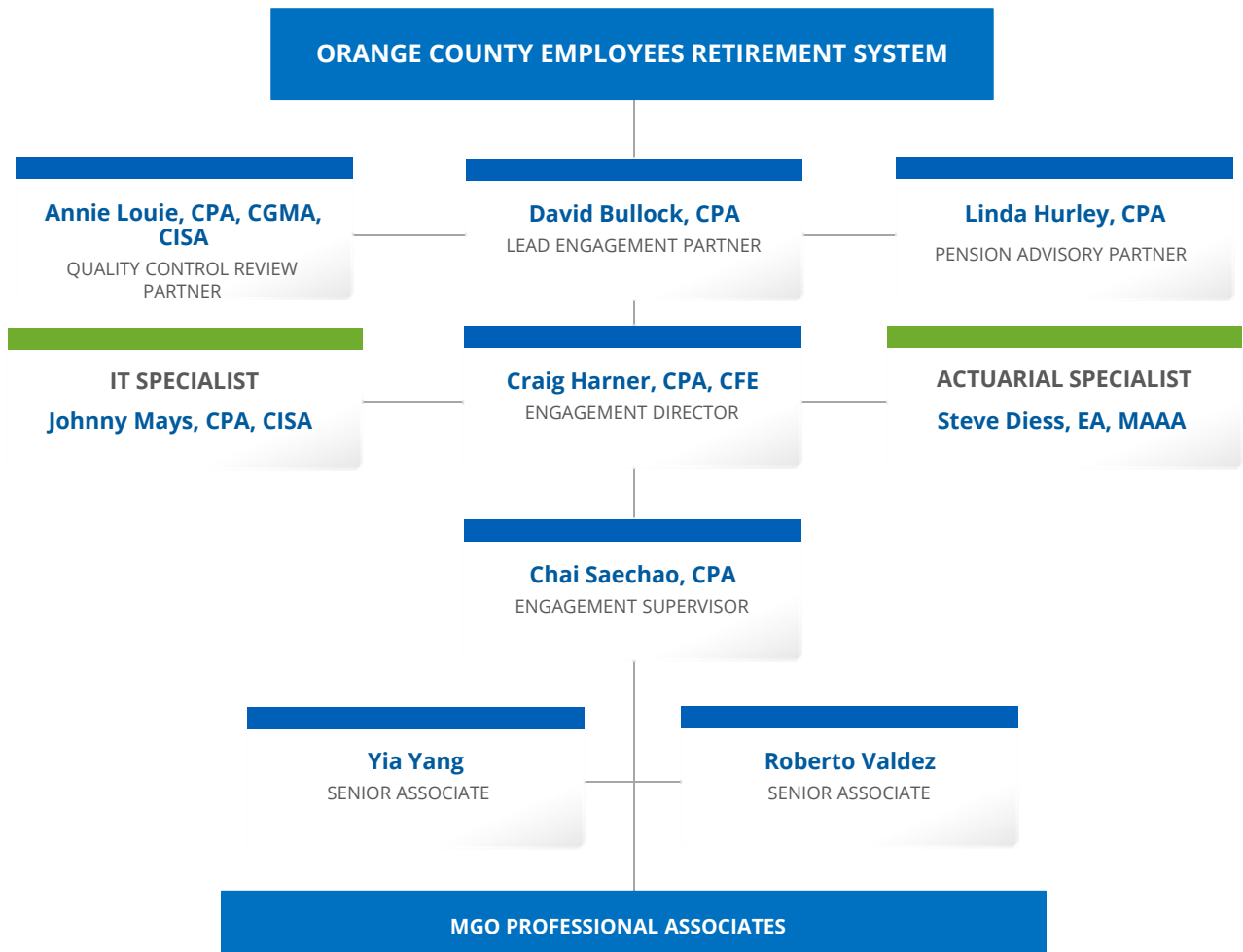
Availability of Key Personnel

MGO makes every effort to provide continuity of assigned personnel, and understands that key personnel may be changed upon OCERS' approval should they become unavailable. We have a track record with our clients that includes a significant amount of MGO partner participation to ensure replacements are transitioned seamlessly. It is our firm's policy to have our leadership team and subject matter experts very involved during your audits. This policy will ensure your access to someone very knowledgeable of your operations throughout the duration of our professional contract. Clients are often surprised at the degree of knowledge our staff demonstrates and the level of assistance they are able to provide in updating them on changes in the government finance area.

Continuing Professional Education of Employees

We strive to keep our staff current with the ever-changing criteria and related applications affecting complex organizations. In compliance with auditing standards generally accepted in the United States of America, our firm administers a program to ensure that all professional staff meets continuing professional education (CPE) requirements. Since a large composition of MGO's client base includes governmental entities, we are aware of the strict educational guidelines required by *Government Auditing Standards*. All members of the audit team have satisfied these requirements, having at least 80 hours of continuing professional education every two years, of which 24 must directly relate to the government environment and to government accounting and auditing standards.

Organizational Chart



David Bullock, CPA

ENGAGEMENT PARTNER



PROPOSED ROLE & RESPONSIBILITIES

- Ensures responsive and timely delivery of services to OCERS
- Leads the identification of risks and design of audit procedures
- Leads emerging auditing, accounting and financial reporting issues affecting OCERS
- Available throughout the year to ensure proactive issue identification
- Available for consultations and in-person meetings with OCERS throughout the year

SUMMARY

David is an Assurance and Government Advisory Services Partner in the San Francisco Bay Area office of MGO. He has over 25 years of professional experience providing auditing, accounting and consulting services, including over 20 years of experience with financial statement audits of defined benefit and defined contribution pension plans. David brings a developed audit and operational perspective to the OCERS engagement.

David recently finished a 3-year term on the AICPA State and Local Government Expert Panel and currently serves on the CalCPA Governmental Accounting and Auditing Committee. David participates on the task force that assists the Governmental Accounting Standards Board's (GASB) Financial Reporting Model project. Leading up to the most recent GASB appointment, he has been very active in thought leadership by participating in GASB roundtables and interviews, serving on the GASB Sales and Pledges Task Force, and has a long history of working with California stakeholders on such things as pension and OPEB guidance, and lease accounting.

David has made numerous presentations covering topics related to generally accepted accounting principles, promulgated by the GASB, and audit standards, promulgated by the AICPA and the GAO. David has presented extensively on GASB 67/68 and GASB 74/75 to professional organizations, including the Association of Government Accountants; California Society of Municipal Finance Officers, California State Association of County Auditors; Association of Public Pension Fund Auditors; and CalCPA's Governmental Accounting and Auditing Conference.

ASSOCIATIONS

- American Institute of Certified Public Accountants
- Association of Government Accountants - Silicon Valley Chapter, Past President of the Board
- California Society of Certified Public Accountants
- Member GASB Advisory Committee for reevaluation of the Financial Reporting Model

EDUCATION

California State University, San José
B.S., Business Administration, Accounting

REPRESENTATIVE CLIENT EXPERIENCE

Public Pension / OPEB Plans

- California Public Employees' Retirement System*
- City of Sunnyvale Retiree Healthcare Plan
- Contra Costa County Employees' Retirement Association
- Contra Costa County Post-Retirement Health Benefits Plan Trust
- Oakland Municipal Employees' Retirement System
- Oakland Police and Fire Retirement System
- **Orange County Employees' Retirement System***
- Oregon Public Employees Retirement System*
- San Diego City Employees' Retirement System
- San Francisco Bay Area Rapid Transit District Retiree Health Benefit Trust
- San Jose Federated City Employees' Retirement System*
- San Jose Police and Fire Department Retirement Plan*
- Santa Clara Valley Transportation Authority Amalgamated Transit Union Pension Plan

State and Local Governments

- State of California - Single Audit
- City of Fremont*
- City of Modesto*
- City of Mountain View*
- City of Oakland*
- City of Palo Alto*
- City of Pleasant Hill*
- City of Santa Rosa*
- City of San José*
- City of Sunnyvale*
- County of Alameda*
- County of Contra Costa*
- County of San Francisco*
- County of San Mateo*
- County of Santa Clara*

*GFOA Award

Annie Louie, CPA, CGMA, CISA

QUALITY CONTROL REVIEW PARTNER



PROPOSED ROLE & RESPONSIBILITIES

- Consults with the Engagement Partner on technical accounting and auditing issues, including audit risk assessments
- Responsible for staying current on the engagement process, participating in client discussions about complex technical issues, reviewing selected audit workpapers, and reviewing reports for compliance with GASB and auditing standards
- Available throughout the year to consult with OCERS on technical accounting and reporting issues

SUMMARY

Annie has over 18 years of public accounting experience, providing accounting, auditing and consulting work to many local governmental agencies and private sector organizations. Her tasks include directing and supervising all planning and fieldwork on audit engagements; supervising, scheduling, and evaluating staff, in-charge and senior accountants; monitoring progress of engagements in relation to budgets and due dates; reviewing all audit workpapers on the engagement; understanding and being able to apply applicable standards to engagements; and assisting partners with practice development efforts in the audit line of business.

Annie has conducted numerous training programs for other CPA firms, cities and counties on a variety of accounting, auditing, and financial reporting topics. Over the years, she has developed and trained on the Single Audit Act Audit Requirements to various program managers throughout the Bay Area.

EDUCATION

University of California, Berkeley
B.A., Economics, minor in Business Administration

ASSOCIATIONS

- American Institute of Certified Public Accountants
- Association of Government Accountants
- California Society of Certified Public Accountants

REPRESENTATIVE CLIENT EXPERIENCE

Public Pension / OPEB Plans

- City and County of San Francisco Retiree Health Care Trust Fund
- City of San José Federated City Employees' Retirement System*
- City of San José Police and Fire Department Retirement Plan*
- Contra Costa County Post-Retirement Health Benefits Plan Trust
- **Orange County Employees' Retirement System***
- Oakland Police and Fire Retirement System
- San Francisco Employees' Retirement System

Ports and Other Governmental Entities

- Port of Oakland (including the Oakland International Airport)*
- Port of Stockton
- Port of San Francisco
- San Francisco International Airport
- Contra Costa Transportation Authority*
- Oakland - Alameda County Coliseum Authority
- San Francisco Finance Corporation
- San Mateo County Joint Powers Financing Authority
- State Bar of California
- State of California - Single Audits

City Governments

- Oakland*
- San Jose*
- San Francisco*

County Governments

- Alameda*
- Contra Costa*
- San Francisco*
- San Mateo*
- Santa Clara*

* GFOA Award

Linda Hurley, CPA

PENSION ADVISORY PARTNER



PROPOSED ROLE & RESPONSIBILITIES

- Overall responsibility for the delivery of advisory services
- Responsible for overall assessments and design of procedures
- Communicates with executive management regarding planning, fieldwork, and reporting
- Available for consultations and in-person meetings with OCERS throughout the year

SUMMARY

Linda has over 23 years of professional experience providing auditing, accounting and consulting service to the public sector. In the public sector assurance practice, Linda is a California licensed CPA and has lead audits of numerous large government engagements.

Linda served as the lead audit partner on the Orange County Employees Retirement System (OCERS) for the past 6 years and assisted OCERS in implementing both GASB 67 and 68. Though there were many complexities to the plan, the implementation process was one of the smoothest yielding only one question to the auditor from plan sponsors. Linda and her teams' efforts and strong working relationship with OCERS and its actuaries ensured that information provided to plan sponsors was clear, complete and delivered timely.

Linda has also served as lead for the City of San Jose Retirement Plans. One of the biggest challenges during her tenure was the collapse of the economy in 2008. She was diligent in working with the Plans and the City of San Jose to ensure known losses, contingencies and uncertainties in fair value reporting were appropriately reported. She also assisted the Plans in the implementing several new standards and ensured timely reporting to the City as a pension trust fund. Linda currently serves as the engagement partner for the San Diego City Employees' Retirement System and has served as the Quality Control Review Partner for CalPERS.

EDUCATION

St. Mary's College, Moraga, California
B.S., Economics & Business Administration (Accounting)

ASSOCIATIONS

- American Institute of Certified Public Accountants
- BDO & BDO Siedman Alliance Government Industry Group Advisory Council (former co-chair)
- California Society of Certified Public Accountants
- California Society of Municipal Finance Officers
- Government Finance Officers Association
- Institute of Internal Audit
- Oregon Society of Certified Public Accountants

REPRESENTATIVE CLIENT EXPERIENCE

Public Pension / OPEB Plans

- Alameda Health System Defined Benefit Pension Plan*
- California Public Employees' Retirement System*
- City of San José (2007 through 2009, including 2008 financial crisis)
 - Federated City Employees' Retirement System*
 - Police and Fire Department Retirement Plan*
- Oakland Police and Fire Retirement System
- **Orange County Employees Retirement System***
- San Diego City Employees' Retirement System*

State and Local Governments

- California Department of Toxic Substance Control
- City and County of San Francisco*
- City of Los Angeles*
- City of San Diego*
- City of San Jose *
- County of Alameda*
- County of Contra Costa*
- County of Fresno*
- County of Humboldt*
- County of Orange*
- County of Los Angeles*
- County of San Mateo*
- County of Santa Clara*
- County of Solano*

*GFOA Award

Craig Harner, CPA, CFE

ENGAGEMENT DIRECTOR



PROPOSED ROLE & RESPONSIBILITIES

- Assists the Engagement Partner in overall assessments and design of procedures
- Available to provide guidance to the engagement team regarding the execution of procedures
- Available to participate in meetings regarding overall assessments and execution of procedures

SUMMARY

Craig has over 13 years of auditing experience in performing various auditing, accounting, financial, and operational assignments for retirement systems, governmental, nonprofit and special district clients. These audits follow GASB Statement Nos. 34, 43, 45, 67, 68, and 75. Specifically, Craig has 10 years of experience with audits of defined benefit pension, other postemployment benefit, and defined contribution pension plans.

Craig's audit experience specifically related to retirement plans includes the following areas:

- Actuarial valuation for single-employer and cost-sharing multiple-employer defined benefit pension plans
- Schedules of employer allocations and collective pension amounts for cost-sharing multiple-employer defined benefit pension plans
- Schedules of Changes in Fiduciary Net Position by Employer Rate Plan for agent multiple-employer defined benefit plans
- Examination - accuracy and completeness of census data maintained by the Plan for agent multiple-employer defined benefit plans

He is MGO's Director In-Charge of Public Retirement Systems and has served each of the public retirement systems listed. Services provided for each client include performing an audit on the financial statements in accordance with standards generally accepted in the United States of America as promulgated by the American Institute of Certified Public Accountants. Also, a majority of the audits were performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

EDUCATION

California State University Sonoma
B.S., Business Administration with concentration in Accounting

ASSOCIATIONS

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants

REPRESENTATIVE CLIENT EXPERIENCE

Public Pension / OPEB Plans

- California Public Employees' Retirement System*
- California State Teachers' Retirement System*
- City and County of San Francisco Retiree Health Care Trust Fund
- Merced County Employees' Retirement Association
- Nevada Public Employees' Retirement System*
- **Orange County Employees' Retirement System***
- Oregon Public Employees Retirement System*
- Sacramento County Employees' Retirement System*
- San Diego City Employees' Retirement System*
- Stanislaus County Employees' Retirement Association

State and Local Governments

- California Department of Technology
- California Exposition & State Fair
- California Institute for Regenerative Medicine
- California State Auditor
- City and County of San Francisco*
- City of Sacramento*
- City of Santa Rosa*

*GFOA Award

Chai Saechao, CPA

SUPERVISOR



PROPOSED ROLE AND RESPONSIBILITIES

- Assists the manager in the planning and execution of the audits
- Supervises fieldwork
- Reviews and analyzes client processes and internal controls
- Supervises and provides guidance to Associates
- Researches issues as directed by Engagement Director
- Reviews all workpapers before submission to Engagement Director

SUMMARY

Chai has 6 years of experience in performing various auditing, accounting, financial, and operational assignments for public employees' retirement systems.

Chai's audit experience specifically related to retirement plans includes the following significant areas:

- Fixed income securities
- Equity securities
- Real estate investment trusts
- Mortgages
- Real estate
- Alternative investments
- Securities lending
- Derivative instruments
- Member and employer contributions
- Benefit payments
- Member census data
- Actuarial valuation for single-employer and cost-sharing multiple-employer defined benefit pension plans
- Schedules of employer allocations and aggregate pension amounts for cost-sharing multiple-employer defined benefit pension plans

EDUCATION

California State University, Sacramento
B.S., Accounting and Financial Planning

ASSOCIATIONS

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants

REPRESENTATIVE CLIENT EXPERIENCE

Public Pension / OPEB Plans

- California Public Employees' Retirement System
- Merced County Employees' Retirement Association
- Oregon Public Employees Retirement System
- Public Employees' Retirement System of Nevada
- Sacramento City Employees' Retirement System
- Sacramento County Employees' Retirement System
- San Francisco Employees' Retirement System

State and Local Governments

- California Exposition and State Fair
- California State Single Audit
- California Statewide Financing Authority
- California Technology Agency
- City of Sacramento
- County of Sacramento
- County of Tuolumne
- County of Yolo

Johnny Mays, CPA, CISA

IT SPECIALIST



PROPOSED ROLE AND RESPONSIBILITIES

- Conducts IT general and application controls assessments and focus reviews on system security and governance as directed by the Engagement Team
- Reports to the Partners and Director regarding IT-related audit matters
- Communicates and coordinates IT audit aspects with engagement team members
- Participates in the communication with OCERS personnel regarding IT matters

SUMMARY

Johnny recently joined MGO as a CPA with a keen eye toward systems analysis and design, process improvement, and IT security. He has 7 years of experience comprised of Big 4 client service and in an industry with a multinational technology company, reinforcing his ability to communicate complex concepts in a clear and concise manner with a wide variety of audiences.

Johnny's areas of expertise include project management, IT general controls (ITGCs), risk assessment procedures, access to programs and data, computer operations, program change management, and physical and environmental security, as well as financial reporting under U.S. generally accepted accounting principles (GAAP) and international financial reporting standards (IFRS). Johnny's experience also includes complex global legal entity structuring and restructuring, intercompany transactions, SOX 404, statutory reporting, local compliance, and digital finance transformation activities.

Johnny is well versed regarding the integrated framework of internal controls and enterprise risk management issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). He has performed Sarbanes-Oxley (SOX) compliance work in coordination with, and on behalf of, an external auditor, including financial controls, Information Technology General Controls (ITGC), as well as automated and key report identification engagements.

EDUCATION

Texas A&M University
Master of Management Information Systems
B.A., Accounting

ASSOCIATIONS

- American Institute of Certified Public Accountants
- Information Systems Audit and Control Association (ISACA)

REPRESENTATIVE CLIENT EXPERIENCE

Internal Audit

- Internal Audit: Wrote six major audit plans and performed over 20 projects including 10 international locations and 2 domestic supplier locations; managed status reporting, scope assignments, and business stakeholder involvement; performed Sarbanes-Oxley (SOX) work in coordination with and on behalf of external auditor, including financial controls, ITGC, ITACs, and completeness/accuracy key reports.

Information Technology

- Risk Assurance/IT Audit Engagements: Conducted tests of control effectiveness for Fortune 500 companies and audits of other organizations. Identified and managed inherent business risks in processes and technology systems supporting business objectives and financial statements, including testing over access to programs and data, change management, segregation of duties, system development, physical & environmental security, and computer operations.

Steve Diess, E.A., M.A.A.A.

ACTUARIAL SPECIALIST

PROPOSED ROLE & RESPONSIBILITIES

- Review the cost-sharing multiple-employer defined benefit pension plan's actuarial valuation report for compliance with GASB Statements No. 67 and 68 and Actuarial Standards of Practice
- Review total pension liability as of the actuarial valuation date and the roll-forward those liabilities to OCERS fiscal year end
- Evaluate the impact of any member census data discrepancies on the total pension liability
- Perform test cases for the defined benefit pension plan, on a sample basis
- Review actuarial assumptions and methodologies
- Review sensitivity tests, crossover tests and discount rates
- Review expected average remaining service lifetimes for the defined benefit pension plan
- Review proportionate share allocations and methodologies
- Review pension amounts, including pension plan expense
- Assist with actuarial matters or questions that arise in the course of the audit and during the year

SUMMARY

Steven is an Enrolled Actuary and a Member of the American Academy of Actuaries. Steven is the President and Owner of Independent Actuaries, Inc. (IAI), and has over 22 years of experience in actuarial consulting, including 16 years at a large national actuarial firm.

Steven specializes in pension plan and other postemployment benefit plan actuarial valuations. He has led a wide range of special consulting projects, such as plan design studies, plan termination studies, and early retirement withdrawal offerings.

He has performed as the consulting actuary on the audit of PERS. Steven's role and responsibilities have included reviewing and commenting on the actuarial assumptions and valuations and to provide other actuarial support to the audit team as directed by the engagement team. Steve's consulting background with both public and private sector sponsors of pension and OPEB programs includes performing actuarial valuations and studies for plans of all sizes. In addition to approximately 60 Oregon public sector pension and OPEB plans for which he is the lead consultant, he also provides subcontracted consulting services for over 200 public sector plans in the Midwest. He regularly performs actuarial reviews connected with the audit of multiple public sector pension and OPEB programs to assure compliance with applicable GASB Statements.

AFFILIATIONS/DESIGNATIONS/EDUCATION

- BS, MA Mathematics, University of Santa Clara
- Enrolled Actuary
- Member, American Academy of Actuaries

REPRESENTATIVE CLIENT EXPERIENCE

Public Pension / OPEB Plans

- California Public Employees' Retirement System
- **Orange County Employees Retirement System**
- Merced County Employees' Retirement Association
- Oregon Public Employees Retirement System
- Sacramento County Employees' Retirement System
- San Bernardino County Employees' Retirement Association
- San Diego County Employees Retirement Association
- San Francisco Employees' Retirement System
- San Jose Federated City Employees' Retirement System
- San Jose Police and Fire Department Retirement Plan
- Stanislaus County Employees' Retirement Association

PROFESSIONAL ACTIVITIES

- Member, Portland Actuarial Club, 1997 – Present
- Presenter, Western Pension and Benefits Conference Spring Seminar, 2007, 2009 and 2012
- Presenter, Western Pension and Benefits Conference Annual Conference, 2014



Yia Yang
SENIOR ASSOCIATE

SUMMARY

Yia has 4 years of experience in performing various auditing, accounting, financial, and operational assignments for governmental and corporate clients. His proven performance areas include, but are not limited to: compiling data to prepare financial statements, preparing work papers and supporting schedules, performing test of details and analytical reviews, and single audit.

Yia has experience providing guidance and oversight of engagement associates and reviewing workpapers to ensure proper performance of planned audit procedures.

EDUCATION

California State University, Sacramento
B.S., Business Administration, Accountancy

ASSOCIATIONS

- California Society of Certified Public Accountants

REPRESENTATIVE CLIENT EXPERIENCE

Public Pension / OPEB Plans

- California Public Employees' Retirement System
- California State Teachers' Retirement System
- Nevada Public Employees' Retirement System
- **Orange County Employees Retirement System**
- Oregon Public Employees' Retirement System

State Entities

- California State Single Audit

Public Housing Authority

- Sacramento Housing Redevelopment Authority

Other Entities

- Berkeley Capital Trust Inc.
- Broekema Beltways Inc.
- Nevada Organic Remedies LLC
- Quick Quack Car Wash
- Sira Natural Inc.
- Washoe Wellness LLC



Roberto Valdez
SENIOR ASSOCIATE

SUMMARY

Roberto has two years of experience in performing various auditing, accounting, financial, and operational assignments for governmental clients. His proven performance areas include, but are not limited to: compiling data to prepare financial statements; preparing workpapers and supporting schedules; performing tests of details and analytical reviews; auditing long-term debt, cash reconciliations, cash receipts/disbursements, fixed assets, accounts payable, sales, and payroll; and preparing adjusting entries.

EDUCATION

California State University, San Diego
B.S., Business Administration, Accountancy

ASSOCIATIONS

- California Society of Certified Public Accountants

REPRESENTATIVE CLIENT EXPERIENCE

Public Pension / OPEB Plans

- Civic San Diego 401(K) Plan
- **Orange County Employees' Retirement System**
- San Diego City Employees' Retirement System

City Governments

- City of San Diego

Other Entities

- California Foundation for Stronger Communities
- California Foundation for Public Facilities
- California Municipal Financing Authority
- City of San Diego's Public Utilities Department
- Civic San Diego
- Soboba Band of Luiseno Indians
- San Diego Convention Center Corporation
- Viejas Bank of Kumeyaay Indians

License to Practice in California

MGO and all key professional staff assigned to the engagement are properly licensed by the State of California to practice as Certified Public Accountants. MGO meets all requirements imposed by federal, state, and local laws, rules, and regulation.

Independence

MGO is independent of OCERS and meets the independence standards, due professional care, and quality control requirements of the AICPA and *Government Auditing Standards*, 2018 revision, published by the U.S. Government Accountability Office (GAO).

Current Litigation or Terminated Contracts

The firm is a national accounting firm and works on thousands of engagements each year across the country. As is the case with all major accounting firms, from time to time the firm has been named as a defendant in lawsuits by private civil lawsuits, particularly when one of its clients suffers an economic downturn. There are no professional liability actions against MGO.

MGO has a professional indemnity insurance program in place to insure against such risks, and we have no pending litigation, or litigation settled or closed within the past five years that would materially affect the firm's operations or our ability to perform services for you. MGO does not have any past, pending, or threatened proceedings that are administrative, with a state ethics board, or similar body.

External Quality Control Reviews

MGO's commitment to performing quality assurance work has been recognized by our clients and the national standards setters. Under AICPA standards and *Government Auditing Standards*, public accounting firms are required to engage another firm to conduct a Peer Review of their accounting and auditing practice every three years.

The quality of our State and Local Government Industry practice is evident by the results of the most recent Peer Review of our system of quality control for the firm's accounting and auditing practice. Engagements selected for review included engagements performed under *Government Auditing Standards*, encompassing compliance audits under the Single Audit Act.

Firms can receive a rating of pass, pass with deficiency(ies) or fail. MGO received the highest level rating of pass. The results of this and prior Peer Reviews provide independent validation of our commitment to providing quality assurance services. Please refer to our 2018 Peer Review Report on the following pages.



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Report on the Firm's System of Quality Control

October 25, 2018

To the Partners of
Macias Gini & O'Connell LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Macias Gini & O'Connell LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018. 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 an engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; an audit of an employee benefit plan and an examination of a service organization, SOC 1 engagement.

As a 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.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Macias Gini & O'Connell LLP engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2018, 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*. Macias Gini & O'Connell LLP has received a peer review rating of *pass*.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC

References

Don't Take Our Word For It. Ask Our Clients

The following is a list of select clients served over the past year. All of the Comprehensive Annual Financial Reports were awarded the GFOA Certificate of Achievement.

References for Similar Engagements					
Client	Scope of Work	Most Recent Service Year	Number of Years	Type of Plan	Principal Client Contact
California State Teachers' Retirement System	(A) Financial Statement (B) Internal Audits Consulting Services on Investments	(A) 2004 - 2010 (B) 2011 - Current	16	Defined Benefit Pension	Larry Jensen 916.414.6010
San Diego City Employees' Retirement System	Financial Statement and GASB 68 audits	Current	10	Defined Benefit Pension	Marcelle Rossman 619.321.1722
Oregon Public Employees Retirement System	Financial Statement and GASB 68 audits	Current	10	Defined Benefit Pension	Jason Stanley 503.603.7504
Public Employees' Retirement System of Nevada	Financial Statement and GASB 68 audits	Current	3	Defined Benefit Pension	John Van Horn 775.283.5623

SECTION 3 | ENGAGEMENT TEAM

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SECTION 4

Work Plan



A new breed
of professional
services firm

AUDIT APPROACH

Our audit services emphasize comprehensive planning and risk assessment to fulfill our professional responsibilities and enable us to be responsive to your needs. Our audit approach carefully considers the identification of key risk areas and allocation of appropriate resources. Professionals with extensive auditing and accounting experience lead all phases of our audit. With our experienced leaders in the field, our efficiency and effectiveness increase when dealing with complex accounting and auditing issues. Our audit procedures include analytical reviews, verification of balances and transactions based on independent supporting documentation using statistical and judgmental sampling techniques, confirmation of key balances, and analysis of key assumptions supporting significant estimates made by management.

This section further discusses our approach to the services we will provide to OCERS, detail our framework for planning and performing the audits, and set forth our audit scope and timing.

Advantages

INSTITUTIONAL KNOWLEDGE

MGO's Experience with OCERS Means:

- Provide continuity to the financial reporting process based on historical knowledge of OCERS
- Faster start up and execution with no learning curve
- Reduced burden of time on OCERS management and staff
- Ability to provide more valuable insights and recommendations to improve operational performance
- Reduced risk of oversights and audit failure

PROPOSED ENGAGEMENT SEGMENTATION

The timing of our audit procedures will be coordinated with management to minimize disruption of OCERS' operations and to ensure timely delivery of all reports by the agreed-upon due dates. We welcome OCERS' involvement in the planning process and believe that monitoring progress will result in timely financial reporting.

Planning	
Information Gathering	January - June
Presentation of Audit Plan to the Audit Committee of the Retirement Board	March
Entrance Conference	March
Interim and Year-End Prepared-By-Client Schedules	March
Executive and Board Member Fraud Risk Inquiries	March - April
Execution	
Document Internal Controls and Processes	April - May
Perform Risk Assessment	April - May
Test of Controls over Significant Transaction Cycles	April - May
Conduct IT-Specific Audit Procedures	April - May
Employer Audit (Tests of Member Census Data)	April - June
Financial Statement Audit of Year-End Balances	April - June
Audit of the Schedule of Allocated Pension Amounts by Employer and Related Notes	May - June
Completion	
Independent Auditor's Report – Financial Statements	June
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters	June
Required Communications with Those Charged with Governance	June
Management Comment Letter	June
Independent Auditor's Report – Schedule of Allocated Pension Amounts by Employer and Related Notes	June
Audit Committee of the Retirement Board Presentation	June
Retirement Board Presentation	June

LEVEL OF STAFF EFFORTS

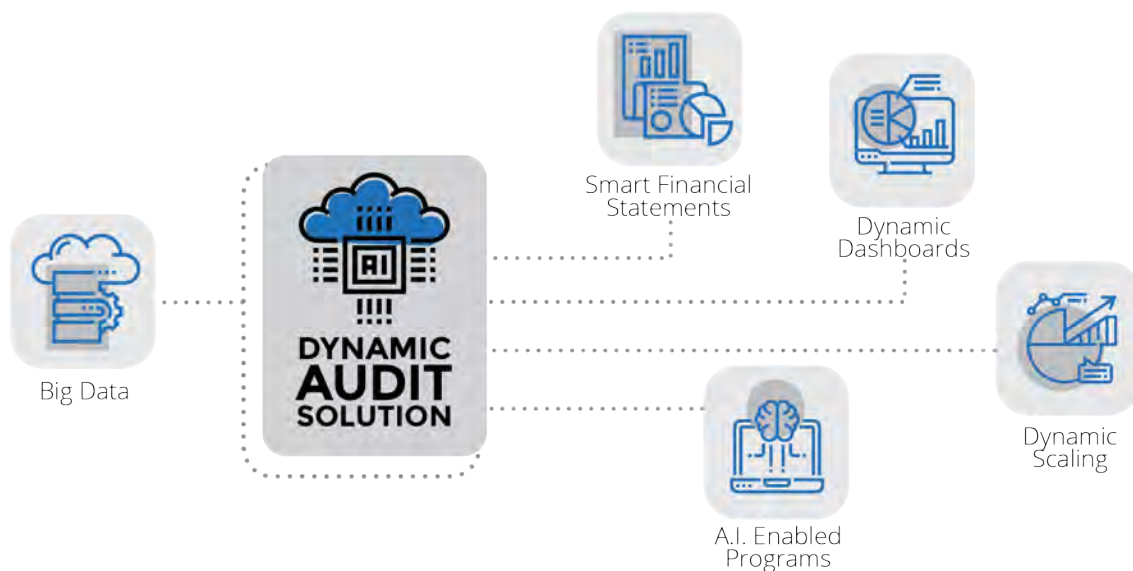
MGO's risk-based audit approach allows a high degree of flexibility in our audit plans. We understand the resources required to perform OCERS' engagement, and have developed our annual estimated hours of participation for each project task within the requested scope of services:

Estimated Hours	Basic Financial Statements	GASB 68 Schedules	Total Estimated Hours
Planning and Interim Fieldwork:			
Engagement Partner	12	1	13
Directors	15	2	17
IT and Actuarial Consultants	24	-	24
Supervising Senior Assurance Associates	20	2	22
Senior Assurance Associates	35	-	35
Experienced and Staff Associates	30	-	30
Administrative Assistants	1	-	1
Total Planning and Interim Fieldwork	137	5	142
Year-End Fieldwork:			
Engagement Partner	24	-	24
Directors	40	2	42
IT and Actuarial Consultants	15	10	25
Supervising Senior Assurance Associates	60	2	62
Senior Assurance Associates	140	-	140
Experienced and Staff Associates	230	30	260
Total Year-End Fieldwork	509	44	553
Completion:			
Engagement Partner	20	4	24
Technical Partner	4	2	6
Directors	15	2	17
Supervising Senior Assurance Associates	24	2	26
Senior Assurance Associates	8	-	8
Experienced and Staff Associates	4	-	4
Administrative Assistants	4	1	5
Total Completion	79	11	90
Total Estimated Hours:			
Engagement Partner	56	5	61
Technical Partner	4	2	6
Directors	70	6	76
IT and Actuarial Consultants	39	10	49
Supervising Senior Assurance Associates	104	6	110
Senior Assurance Associates	183	-	183
Experienced and Staff Associates	264	30	294
Administrative Assistants	5	1	6
Grand Total	725	60	785

MGO's Audit Techniques

AUDITS OF THE FUTURE - DYNAMIC AUDIT SOLUTIONS INITIATIVES

"Technology is poised to disrupt auditing as we know it," said Barry C. Melancon, CPA, CGMA, president and CEO of the AICPA. The traditional audit approach can no longer support the growing need for technology-supported audits that are smarter, more efficient and provide value-added services for our clients. MGO is one of the leading firms that joined the AICPA and CaseWare International to develop a transformational auditing methodology supported by a state-of-the-art technology platform. An estimate of \$50 million has been committed to develop the new Dynamic Audit Solutions (DAS) methodology. The plan is to develop a dynamic, flexible and scalable platform that uses the power of automation, data analytic and updated methodologies to transform auditing as we know it. The vision of the project is to have intelligent audit programs in addition to real-time client collaboration through a cloud environment to avoid duplicating information, as well as having dynamic dashboards to track audit status for both the engagement team and the clients.



Through our participation in the DAS project, MGO has been reengineering the way we approach audits. With the assistance of technology, we are already training our team members in analytical mindset of conducting more application and data driven audits. We are using data analytics throughout the different phases of the audit and assisting our clients with creating smart financial statements.

APPLYING DATA SCIENCE

For years, the audit approach of most firms has remained the same with little to no innovation towards making external financial audits more effective, timely, and efficient. Over the past fifteen years, we have been actively involved in reviewing enhanced approaches for the future of auditing. These discussions have allowed us to internally review our audit processes and techniques for more efficient and cost effective audits. With the application of data science, we have been able to consider potential financial scenarios and develop expectations that allow us to accurately pinpoint exceptions in OCERS' financial environment; thus providing a higher level of reliance that audit objectives are being accomplished.

Understanding of OCERS' Operations

Going beyond the traditional approach of doing high level comparison of preliminary financial data with prior year information during planning stage of the audit, we dive into the operational activities at the transaction level and apply substantive data mining procedures, to summarize information for patterns, trends and identification of anomalies. This big data analytical approach drives our development of tailored audit procedures based on high risk areas increasing the effectiveness and efficiency of the audit process.

Using data mining software such as IDEA will allow us to evaluate large subsets of data for reasonableness and identification of outliers. To illustrate, the following are just two significant audit areas where we apply data mining and analytical procedures on 100% of the population:

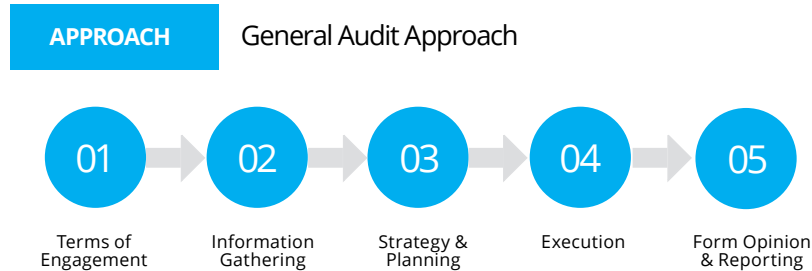
Benefit Payments

- Examine benefit payment frequency for transactions occurring prior to or after the fiscal period, transaction volume by month, and type of retirement (i.e. service, disability etc.).
- Examine top paid retirees for compliance with laws and regulations.
- Identify fictitious or duplicate benefit payments.
- Performing analysis of continued eligibility of retirees to receive benefits.
- Examine large or unusual transactions exceeding planning norms.
- Performing fraud risk assessments through Benford's Law Analysis.
- Identifying benefit payments issued on OCERS' holidays or weekends.

Actuarial Census Data

- Identify changes made to actuarial census data from the period outside of expectations (such as changes to gender, date of birth etc.).
- Identify incomplete or inaccurate census data by matching the census data maintained by OCERS to the census data file used by the actuary.
- Identify incomplete or inaccurate census data by matching census data file to employer payroll records using common fields (such as name and OCERS ID).
- Compare benefit payments from OCERS payroll register to retiree census data file.
- Identify new members added to the actuarial census data file and their eligibility to participate in the plan.
- Examine members with large or unusual changes in census data elements (such as pensionable payroll, service credits etc.).

MGO's General Financial Statement Audit Approach



Our audit approach is built upon our extensive experience serving public employee retirement systems. Because of our long-term relationship with OCERS, we have a thorough understanding of the accounting, investment, and employer reporting systems and the internal controls over the transactions processed by those systems. Our institutional knowledge enables us to focus our efforts on the areas of greatest audit risk and minimize the time required of your staff related to the financial statement and GASB 68 audits. Professionals with direct experience auditing retirement systems lead all phases of our audit. This section further describes our approach to the services we will provide to OCERS and details of our framework for planning and performing the audit.

Our approach includes the following phases:

01

Terms of Engagement

We will audit the statements of net position, changes in net position, and the related notes to the financial statements, which collectively comprise OCERS basic financial statements. We will also audit the schedules related to GASB 68. Our audits will be performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*.

In order to accomplish this goal with minimal disruption to you, it is imperative that communications are continuous and performed in a timely manner when obstacles occur or if any issues arise. We consider OCERS to be partners in accomplishing our mutual goal and we will develop a work plan, which incorporates the needs, timing and expectations of the audit, from both perspectives.

02

Information Gathering

The key element in effective audit planning is a thorough understanding of the auditee's operations. This includes the operating environment, internal accounting control structure, organizational structure, and governing legislation. Our experience in serving OCERS and other public employee retirement systems provides us with the knowledge to develop a detailed understanding of these elements. Therefore, we can effectively identify the nature of significant account balances/ transaction classes, assess risk, and design audit tests. Information gathering includes the following procedures:

- Determine significant areas or changes to OCERS' organizational structure, relevant laws and regulations, investments, or accounting and financial reporting requirements.
- Review minutes of the Board of Retirement and supporting committees.
- Obtain an understanding of OCERS' accounting controls over the critical transaction streams, including controls over pension programs, investments, and actuarial processes.
- Meet with appropriate OCERS management and representatives of the Audit Committee and Board to acquire additional knowledge about areas of risk.

As OCERS replaces its existing financial information system and upgrades or changes its existing pension administration system, we must evaluate the potential impacts on existing policies, processes and data integrity. Our IT specialists are specifically skilled in evaluating computer-based systems to determine whether systems are operating effectively to provide reliability and integrity of, and security over, the plan data, actuarial, investment, and other financial information being processed.

03

Strategy and Planning

Based on the information gathered, the engagement team will develop audit plans, which respond to the areas we have identified as areas of risk, as they relate to the financial reporting processes. During this process, we perform the following:

- Assess the risk of improper financial statement presentation by evaluating the financial reporting process.
- Continually reassess OCERS' processes as we become aware of additional risk areas.
- Develop audit procedures to address our risk assessments.

04

Execution

Based on the information gathered in the risk assessment process, we will:

- Perform tests on the general internal control and IT general and application controls.
- Utilize analytical procedures to identify unusual or unique transactions and balances, and to determine those amounts are properly recorded in the financial statements.
- Perform audit procedures over the significant transaction streams and account balances, including:
 - Investments and related income
 - Contributions and benefit payments
 - Actuarial data reported in the notes to the financial statements and required supplementary information
 - GASB 68 schedule
- As exceptions become known, we will verify that our understanding is correct and upon concurrence, communicate the information to appropriate OCERS personnel.

05

Form Opinion and Reporting

The key element in this phase is to receive timely and accurate information. This eliminates unnecessary work for all parties involved.

This phase includes:

- The director and partners review to verify that the financial statements and GASB 68 schedule are presented in accordance with accounting principles generally accepted in the United States of America.
- Our technical reviewer also reviews the reports to provide a “fresh” and “cold” review.
- MGO will issue our opinions upon completion of our reporting process, including receipt of the management representation letter.

ANALYTICAL PROCEDURES

Auditing standards require the use of analytical procedures in the planning and overall review stages of the audits. They may be used throughout the audit in order to:

1. Direct our attention during the planning stage to areas where amounts appear unusual to the extent that we are put on warning that a material amount may be misstated;
2. Provide an important source of audit evidence at the execution stage or substantive analytical procedure; and
3. Form an opinion on the financial statements by assessing the overall reasonableness of these statements.

Preliminary Analytical Reviews – assist us in planning the nature, timing, and extent of auditing procedures that will be used to obtain evidential matter for specific account balances or classes of transactions. To accomplish this we focus on enhancing our understanding of the client’s business, and the transactions and events that have occurred since the last audit date, and identifying areas that may represent specific risks relevant to the audits.

Our work will normally cover a comparison of:

- Actual results to budget.
- Current year operating results and financial position with the prior year.
- Key financial and operating ratios with the prior year, the industry, and with each other.
- Relationships among elements of financial information within the period.
- Relevant non-financial information (e.g., number of plan members, type of benefit, etc.).

Substantive Analytical Procedures (SAPs) – essentially involve a comparison of an amount in the financial statements with what we would expect that amount to be, based on our knowledge of the organization and with regard to other audit evidence.

Our work will normally involve utilizing the following techniques:

- Using data mining software (IDEA) to extract data and preparing subsequent analysis to concentrate on.
- Determining whether there is a valid relationship between the items being compared (e.g., between interest and interest bearing balances).
- Disaggregating information to compute ratios, percentages and amounts for different balances separately.
- Using pivot tables to identify unusual or unexpected trends.

Our use of IDEA Data Analysis Software enables the audit team to summarize and stratify data that helps identify risk of fraud in financial statements. The following are just a few examples of fraud tests that can be performed with IDEA.

- Summarizing 100% of general ledger detail (as opposed to a sample) to identify unusual balances (i.e., high number of debits to contributions, high number of credits to benefits and administrative expense accounts).
- Stratifying samples among high- and low-dollar value populations for better audit coverage using IDEA scripts.
- Using IDEA scripts, we can perform analytical procedures using disaggregated data (e.g., benefits by month and by type during the current and prior reporting periods).
- Extracting information to uncover possible fraud (for example, the ability to search a list of retirees and beneficiaries to find changes made to addresses or bank accounts could uncover potential fraud by an employee who has access to member accounts).
- Isolating debits and credits in an account or group of accounts to help facilitate a more detailed analysis.

Obtaining audit evidence is a cumulative process. As a result, we recognize that a single SAP may not give us sufficient assurance that an amount is fairly stated. However, when we apply a series of SAPs to an amount stated in the financial statements, and in each case our conclusion is that the procedure provides evidence that the amount is consistent with our expectations, then we have obtained a degree of assurance that the amount is validly stated.

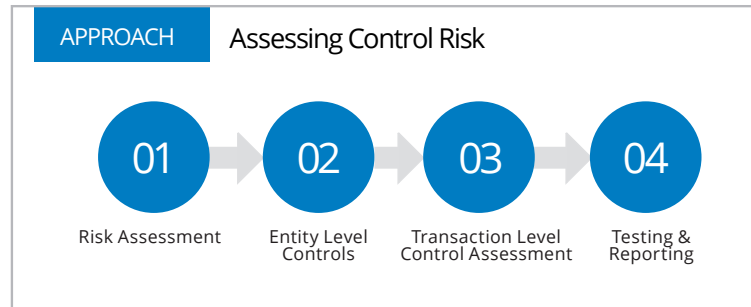
Overall Analytical Review – assists us in assessing the conclusions reached and in the evaluation of the overall financial statement presentation. We use a wide variety of analytical procedures for this purpose. The overall review would generally include reading the financial statements and notes as well as considering the adequacy of evidence gathered in response to unusual or unexpected balances identified in planning the audit, or in the course of the audit, and unusual or unexpected balances or relationships that were not previously identified.

Results of an overall review may indicate that additional evidence may be needed.

EVALUATING INTERNAL CONTROLS

Our Proven 4-step Approach to Evaluate Internal Control and Assessing Control Risk

During the planning and execution phases of the audit, we will consider OCERS' internal control over financial reporting and compliance to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements.



01

Risk Assessment

SUMMARY

In Step 1, the financial statement risk assessment, audit plan, roles and responsibilities, and communication protocols are developed collectively with engagement team members.

ACTIVITIES

- Identify financial reporting risks (including fraud) via brainstorming sessions and interviews
- Determine financial statement account risks by analyzing quantitative and qualitative factors, including the review of interim financial statements as available and budgetary documents
- Identify relevant assertions and related risks
- Review and evaluate OCERS' internal control system and risk assessment process to determine the level of risk and mitigating controls
- Establish status reporting and communication protocols
- Develop audit plans

03

Transaction-level Control Assessment

SUMMARY

During Step 3, the engagement team will identify significant financial reporting and compliance controls for higher risk areas. An assessment will be made as to whether controls are appropriately designed to mitigate the identified risks and have been placed in operation.

ACTIVITIES

- Identify key financial reporting controls
- Perform walkthroughs to assess design effectiveness and document results
- Evaluate the risk of control failure, considering factors such as:
 - Past errors
 - Entity-level controls
 - Experience of personnel
- Develop/evaluate risk and control matrices of all key risks related to control points
- Perform tests of application controls, as appropriate
- Assess the design of controls

02

Entity-level Controls

SUMMARY

The objective of Step 2 is to evaluate OCERS' entity-level control environment and information technology controls using the widely accepted COSO evaluation framework, as applicable. Although not directly involved with the processing of transactions, these pervasive controls can have a significant effect on the financial reporting process.

ACTIVITIES

- Review appropriate elements of COSO for OCERS' internal control system
- Perform Information Technology General Control (ITGC) review
- Document and test entity-level controls via walkthroughs, interviews and detailed testing
- Identify and test general controls over information technology systems upon which other significant application controls are dependent
- Report key findings and discuss remediation steps
- Prepare summary of entity-level controls (including IT)

04

Testing and Reporting

SUMMARY

The final stage of our internal controls approach involves developing and executing a test plan of the transaction-level key controls. An assessment is made as to whether the controls are operating as intended to mitigate the associated risk. The nature, timing and extent of testing is correlated with the risk of control failure determined in Step 3.

ACTIVITIES

- Develop testing strategy and plan for key controls, including the nature, timing and extent of testing
- Execute testing and summarize results
- Evaluate whether controls are operating effectively
- Investigate root cause(s) of control weaknesses
- Design substantive tests for account balances based on control testing results

LAWS AND REGULATIONS APPROACH

When planning and performing audit procedures and in evaluating and reporting the results thereof, we need to recognize that an illegal act may materially affect the financial statements.

Laws and regulations vary considerably in their relation to the financial statements:

- **Direct and material effect on financial statements** – We consider laws and regulations that generally have a direct and material effect on the financial statements. For example, the County Employees Retirement Law limits the amount of annual administrative expenses and the Internal Revenue Code Section 415(b) limits annual benefit that a defined benefit pension plan, such as OCERS, can pay to a member. However, we consider such laws or regulations from the perspective of their known relation to audit objectives derived from financial statement assertions rather than from a legal perspective.
- **Indirect effect on financial statements** – OCERS may be affected by many other laws or regulations, including those related to occupational safety and health, equal employment, and other violations. Generally, these laws and regulations relate more to an organization’s operating aspects than to its financial and accounting aspects, and their financial statement impact is indirect. We ordinarily do not have sufficient basis for recognizing possible violations of such laws and regulations. Their indirect impact is normally the result of the need to disclose a contingent liability because of the allegation or determination of illegality.

Normally, our audit does not include procedures specifically designed to detect illegal acts that indirectly affect the financial statements. However, the procedures listed below, which may be performed for the purpose of forming an opinion on the financial statements, may bring possible illegal acts to our attention:

- Familiarity with the particular legal operational framework applicable to OCERS and its operations
- Inquiring of management and OCERS’ legal counsel regarding the accounting for and disclosure of loss contingencies
- Inquiring of management as to the laws and regulations that may be expected to have a fundamental impact on the operations of OCERS
- Discussing with management policies and procedures adopted for identifying, evaluating, and accounting for litigation claims and assessments
- Inspecting relevant documentation and correspondence with relevant licensing or regulatory authorities
- Obtaining written confirmation from management that they have disclosed all events of which they are aware which involve possible illegal acts, together with any actual or contingent consequences which may arise

MGO'S APPROACH TO SAMPLING

Audit sampling is the application of an audit procedure to less than 100% of the items within an account balance or class of transactions for the purpose of evaluating the value of the balance or class. Substantive test (“variables”) sampling provides a technique for estimating the extent of monetary misstatement in a class of transactions or balances. It can also be used for estimating the amount of a population. It answers the question, “How much?” rather than “How many?” as in sampling for attributes (such as the operation of a control), and is normally used to help decide if a balance is materially misstated. Sampling can be very useful in performing substantive tests on, for example, investments and investment related activities. Sampling is sometimes also used for determining sample sizes for substantive tests of recorded transactions (e.g., vouching of contributions and benefit payments).

MGO follows the AICPA's audit standards and guidance for audit sampling.

Based on our understanding of your operational environment, we typically utilizing sampling techniques in the following area:

- Testing the fair value of investments
- Testing the proper classification of members amongst OCERS plans
- Validating employer and member contributions
- Verifying eligibility and proper calculation of benefit payments
- Testing the accuracy and completeness of actuarial member census data

The application of sampling requires significant auditor judgment in areas such as:

- Considering audit approaches other than using audit sampling
- Defining the population and defining the sampling item
- Assessing the overall risk level for related control, analytical procedures and risk assessment activities
- Determining materiality as a base for calculating the tolerable misstatement (error)
- Selecting items for 100% examination
- Determining the sample size, considering factors such as:
 - Expected misstatement (errors) to be found
 - The effect of other tests on the account being tested

MGO encourages the use of statistical sampling whenever practical especially for substantive tests. We use the statistical sampling technique called Stratified Random Sampling (SRS) . We generally first remove all individual items identified as individually significant items from the population for 100% examination prior to selecting a sample.

In summary our sampling procedures include the following:

- Define the Objective
- Define the Population and the Sampling Unit
- Define Tolerable Misstatement
- Remove Items for 100% Examination
- Specify the Desired Level of Sampling Assurance and the Acceptable Risk of Over auditing
- Estimate the Expected (Anticipated) Misstatement
- Determine the Sample Size
- Select the Sample
- Examine the Sample Items and Evaluate the Sample Results

Audit Samples for Tests of Compliance

The sampling considerations for tests of compliance are similar to those used for tests of financial amounts, except the population and resulting sample sizes may be driven primarily by the size of population being tested.

COMPUTER APPLICATIONS

With technology playing a vital role in the day-to-day operations, it's essential to review the systems that have significant impact over the financial reporting process in order to rely on the output from the systems.

As part of the audit we assess the design of Information Technology General Controls (ITGC) and certain aspects of operating effectiveness to determine our reliance on the financial reporting system. Our assessment includes identification and consideration of critical subsystems that support OCERS' operations through the capture of data and interface with the financial reporting system. Other areas of consideration will include:

- Consistently applied predefined business rules that perform complex calculations in processing large volumes of transactions or data
- Reporting IT events to management
- Risk assessment for the IT resources
- Access controls and other security measures
- Controls over the acquisition, implementation, and use of computer programs and data files
- Controls over the operation of computer programs
- Controls to protect the equipment from environmental hazards and/or unauthorized persons
- Backup and disaster recovery methods

The above considerations are divided into the following sub-sections:

- Organization and Operation
- Systems Development Maintenance and Documentation
- Access to Systems and Information
- Hardware and Systems Software
- Communications

ITGC Approach

To conduct our ITGC assessment, MGO will perform the following:

- Determine whether sufficient controls are in place to protect the integrity and reliability of financial data
- Determine the capability of the core financial management system in carrying out financial data processing
- Conduct a walk-through evaluation of the physical security of the information systems
- Test the general user access control and backup policy for the core financial management information system

Application Controls Approach

Application controls ensure the integrity and availability of the application's associated data. Given the implementation of proper application controls, an organization can significantly reduce the risks and threats associated with the information underlying their financial statements. To ensure the most effective and efficient financial statements audits, it is necessary to understand the control environment over existing application controls used to reduce the risk of material misstatements, caused by errors or fraud, in financial reporting.

Our audit approach will include, for the appropriate applications, assessing OCERS' significant financial applications internal control's to identify key risks, the corresponding controls and where appropriate testing of those controls. This will result in enhanced coverage of the financial data and in most cases less demands on you to pull supporting documents.

Examples of application controls includes completeness and validity checks as well as identification, authentication, authorization, input controls, and forensic controls, among others.

Areas for Consideration

Potential areas for consideration of evaluation and testing of application controls include:

- General ledger
- Employer payroll reporting and submissions
- Procurement and the master vendor file
- Member data maintained in the pension administration system
- Calculation of benefit payments
- Financial reporting model

The decision on the applications to be evaluated and the scope of testing of controls will be based on our preliminary evaluation of OCERS' risk assessments and controls in place.

Assistive Services

Our deep-rooted investment in the industry positions us to provide assurance, advisory, tax, and other supportive services to state and local governments. Those services fall within the following broad categories:

 <p>Governance, Risk & Compliance</p> <ul style="list-style-type: none"> ✓ Internal Audit ✓ Performance Audit ✓ Operational Risk, Compliance, and Controls ✓ Vendor Contract Compliance 	 <p>Management Consulting</p> <ul style="list-style-type: none"> ✓ Operational Assessments & Gap Analyses ✓ Change Management ✓ Program Evaluations ✓ Policies & Procedures ✓ Best Practice Studies
<p>Forensic Accounting & Ethics Support</p> <ul style="list-style-type: none"> ✓ Fraud Investigations ✓ Vendor Audits ✓ Ethics Regulations ✓ Employee Investigations 	<p>Technology & Cybersecurity</p> <ul style="list-style-type: none"> ✓ Cybersecurity Assessment ✓ IT Risk Assessment ✓ Business Continuity Management ✓ Incident Response & Monitoring 
 <p>Assurance & Attestation</p> <ul style="list-style-type: none"> ✓ Financial Statement Audit ✓ Financial Reviews ✓ Agreed-Upon Procedures ✓ Cost Allocation 	 <p>COVID-19 & FEMA</p> <ul style="list-style-type: none"> ✓ Accounting Structuring ✓ Operation Calibration Analysis ✓ FEMA Consulting ✓ Business Continuity

We will meet with you regularly to stay abreast of your service needs and special concerns. You can call upon us as a resource at any time. OCERS is encouraged to contact us for professional accounting advice and to consult on unusual financial events throughout the year, and will not be charged for routine inquiries.

We routinely provide training to governmental entities and other CPA firms, and speak at various professional organizations, such as the AICPA, California Society of Certified Public Accountants (CalCPA), California Society of Municipal Finance Officers (CSMFO), as well as local chapters of the Association of Government Accountants (AGA) in the bay area! It has been a tradition of MGO to provide annual 8-hour continuing professional education sessions to our clients at no charge. Our client trainings have covered technical topics such as GASB updates and federal grant compliance, as well as operational topics such as risk assessments, cybersecurity, and internal controls. While these trainings were conducted in person at multiple locations throughout California in past years, we transitioned to a virtual format in 2020 and have continued this format with more frequent, regular trainings in 2021.

In addition to education sessions, we can also assist you in other areas, including:

- Preparation of financial statement drafts
- Agreed-upon procedures on specific subject matters, such as subrecipient monitoring
- Operational assessments on policies, processes and controls, including IT risk assessments

Should you appoint us to be your independent auditors, we must maintain our independence, both in fact and in appearance, and strictly adhere to the independence rules established under both auditing standards generally accepted in the United States of America and *Government Auditing Standards*. We will discuss in advance with you any professional relationships being contemplated during the period of our engagement that may present a potential conflict of interest.

Implementation of GASB Pronouncements

Accounting standards are becoming increasingly complex. Our partners and directors are thought leaders that actively participate in professional standard-setting organizations such as the American Institute of Certified Public Accountants (AICPA) and the Governmental Accounting Standards Board (GASB). Our roles in these standard-setting bodies provide us insights to the objectives of new accounting standards and be involved in the discussion of practical matters during the implementation period.

As an example, we are assisting various governmental entities in the implementation of GASB Statement No. 87 *Leases*. Current leasing guidance for state and local governments predates GASB's existence, and did not account for GASB's conceptual framework that includes definitions of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The new lease accounting standards replace the current operating and capital lease categories with a single model for lease accounting, based on the concept that leases are a means to finance the right to use an asset.

Thought Leadership

As a thought leader in the government industry, MGO has been invited to speak and train on GASB 87 implementation at various professional associations and governmental agencies, including:

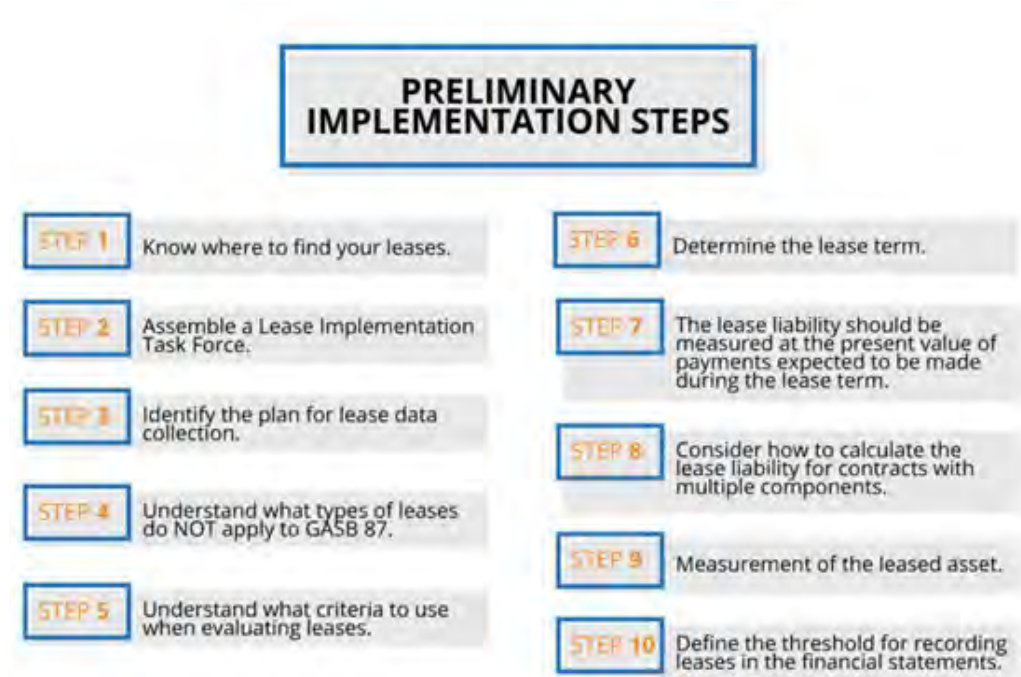
- California Society of CPA's (CalCPA)
 - Annual Government & Accounting Conference
- California Society of Municipal Finance Officers (CSMFO)
 - 2019 Conference in Palm Springs
 - 2020 Conference in Anaheim
 - 2021 Conference in San Jose (virtual)
- California State Association of County Auditors
- MGO's Annual Client Training-
 - The 2018 and 2019 trainings were conducted in person at multiple locations throughout California and were attended by about 300 government finance professionals at each location
 - The 2020 and 2021 trainings were held in a webinar format, and had over 1,000 attendees
- Other Entity-specific Trainings

Software Solutions

LeaseQuery has consulted with MGO on developing and refining their lease accounting software to be compliant with GASB 87 requirements. The software assists users with generating journal entries, disclosures, reports and footnotes to meet the lease accounting standards.

Readiness Assessment

MGO created a readiness assessment tool that not only prepares our clients for the new leases requirements under GASB Statement No. 87, it may uncover matters that were not previously considered or identified.



See details at: <https://www.mgocpa.com/article/the-time-is-now-for-planning-the-gasb-87-lease-accounting-implementation>

GASB 87 Implementation Assistance

Our expert knowledge translates to hands-on assistance in working with various governmental agencies in more in-depth analyses and review of their leases and accounting and reporting issues.

- California State Lottery
- City of Palo Alto
- City of San Jose (including the international airport)
- County of Alameda
- County of Santa Clara
- Metropolitan Water District of Southern California
- Port of San Francisco
- Port of San Diego
- Hollywood Burbank Airport

We understand how information regarding leases has been presented in an organization's financial statements under existing standards, and efficiently identify critical areas and the necessary changes under the new leases standards to prepare for implementation.

Quality Control Processes

MGO's mission is to enable us to provide outstanding service to our clients, be responsive to our community, and succeed on our pillar of quality and integrity. Clearly, our professionals are the most important component of the quality service we provide, and it is essential that we support our professionals with a system of quality controls that helps ensure their success.

MGO quality control requires a systematic of review of all work, with increasing levels based on our assessment of risk. Our quality control system also require a concurring review of the reports prior to issuance. As indicated in our proposal, our firm specializes in auditing state and local government (SLG) agencies. Only qualified, experienced SLG professionals will be assigned to OCERS' engagement. They will provide you with personalized, professional, and timely service. It is our firm's policy to have our management personnel very involved during the audit of OCERS. This policy should ensure that you will have someone very knowledgeable of government operations throughout the duration of our professional contracts with the.

We also have a comprehensive internal quality control system in place, and we do participate in an external quality control review program at least once every three years by an organization not affiliated with us. Our internal quality control system provides for an ongoing review throughout the engagement to assure conceptual soundness and the technical accuracy of working papers. A continuous quality control system helps insure that deliverable are provided to the client as scheduled.

Protection of Client Data

MGO will abide by all OCERS policies associated with access to OCERS data. MGO follows the provisions of the AICPA Code of Professional Conduct regarding confidentiality of client information in the performance of all audits. Furthermore, our internal policy outlines the appropriate safeguards adopted and implemented by MGO regarding personal health information gathered and used in the performance of compliance audits of covered entities, as defined by the Department of Health and Human Services (HHS) under the Health Insurance Portability and Accountability Act of 2006 (HIPAA).

To the extent possible we avoid obtaining and retaining personal identifiable information (PII; e.g. SSN) and work with organizations to determine other unique identifiers related to employees, and program participants. If PII is the only unique identifier, we take great care in protecting that information through the use of a secure file share system with clients. Furthermore, MGO identifies and applies security requirements for protecting data backups based on the different types of data (sensitive, confidential, public) handled. Secure transfer methods are utilized when transporting backup media off-site. The process to perform data backups of information system security documentation is at a defined frequency consistent with recovery time objectives.

SOC 2 and ISAE Certification

MGO is an SOC2 and ISAE certified firm and has followed industry best practice along with NIST SP 800-53, GDPR/CCPA security and privacy controls to harden our systems and SOC2 guidelines to maintain operational effectiveness.

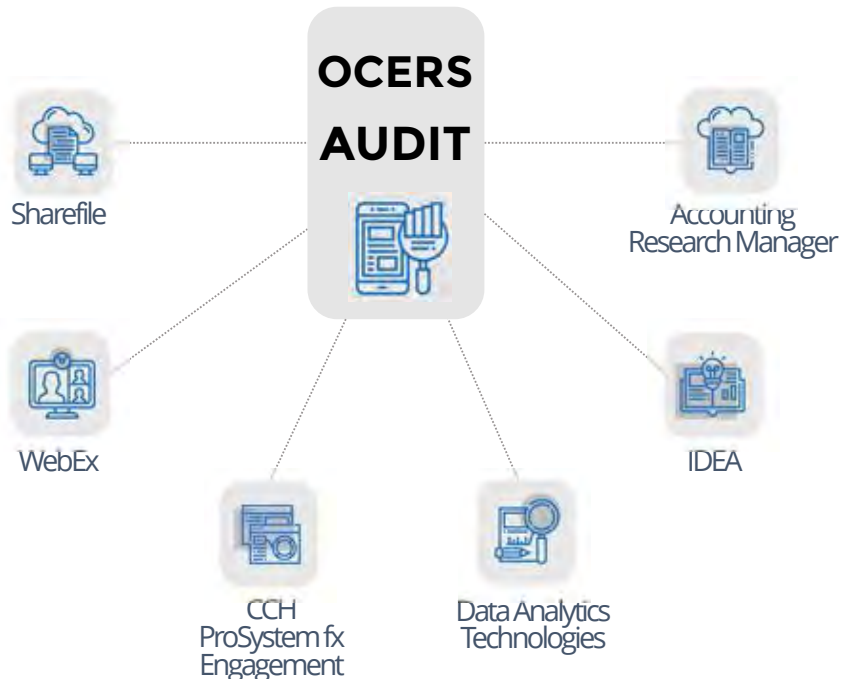
SOC, or system and organization controls, is a set of standards designed to help measure how well a service organization manages and safeguards client data. The certification was created by the AICPA to help build client confidence – demonstrating that we have the necessary security systems, controls, and procedures in place when handling customer information. ISAE, or International Standards for Assurance Engagements, is an international assurance standard for reporting on controls at service organizations to protect shareholders and the general public from accounting errors and fraudulent practices. It is similar in focus to the statement on standards for attestation engagements used for SOC audits, but international in scope.

All MGO systems are under 24x7 monitoring, including network traffic, access control, and regulated change management. In addition, periodic risk analysis, access review, and penetration testing are required to be conducted yearly at a minimum. In terms of education, MGO staff are required to attend security awareness training each quarter. MGO has not had any data breach or experienced any security incident for the last 24 months.



Audit and Other Resource Tools

AUTOMATED E-AUDIT AND WORKPAPER MANAGEMENT SOFTWARE



Integral to a successful audit are the engagement resource tools utilized to document the results of work and facilitate our in-depth quality control review. MGO utilizes an automated electronic-audit (e-audit) tool specifically designed for the federal compliance audit in conjunction with our secure document management system, CCH ProSystem fx Engagement. CCH Engagement is a powerful trial balance and engagement workflow tool that not only automate financial statements, workpapers, and tax return preparation, but also provides the tools to manage and perform audit and tax engagements in a completely paperless environment. It automates the dissemination of data from trial balance to workpapers to ensure accuracy throughout each engagement, and facilitates trend and ratio analyses to focus audit efforts.

Benefits of these e-audit tools are as follows:

- Efficient and effective workflow – With powerful document management, real-time collaboration, direct scanning, online review, efficient clean-up, sophisticated lockdown and advanced roll-forward, our e-audit tools lets us work smarter and faster.
- Engagement standardization – Built-in industry-specific checklists, audit programs, and practice aids are provided via integrated Knowledge Coach modules and tools to tailor workpapers based on information gathered, accumulates identified risks, and automatically flows information between workpapers. Research is integrated using CCH's Accounting Research Manager.
- Optimize review and audit process – With history tracking, milestone creation, issue/review notes, diagnostics, a full annotation system and online sign-offs, the review and audit process is achieved entirely on- screen, with little need for paper.

Data Collection and Workflow Management

To ensure the most cost effective and efficient audit for our clients, MGO has made a significant commitment to utilizing state-of-the-art technology in the audit process, including our extensive in-house cloud servers which allow both MGO and our clients to access shared documents in real-time in the field. You will collaborate with us using a secure Citrix ShareFile portal that permits secure content collaboration and file sharing for all document-centric tasks and workflow needs.

Citrix ShareFile is SSAE 16 certified to help ensure certain data is maintained with the highest level of security. Sharefile is secured by SSL/TLS 256 bit encryption. Data retention policy is set to 60 days after engagement is completed. Upon reaching the time limit, ShareFile data is removed and information is not recoverable.

Data Extraction and Analysis

In addition to performing data analysis in Excel, we also utilize Interactive Data Extraction and Analysis (IDEA), a statistical data analysis tool that quickly analyzes 100% of your data and accelerates performing data analytics to enable faster and more effective audits. It has the ability to join and compare related data sets; statistically sample and stratify data sets; identify gaps or duplicate records; and identify anomalies using various built-in techniques such as Benford's law.

Resolution of Potential Issues

We provide service that stresses responsive, year-round attention. Close communication with our clients is one of our top service qualities – it is the only way we serve our clients. We will work with you as business advisors, and we will place special emphasis on being actively involved in understanding all significant financial and reporting matters.

Through collaborate planning, we will seek OCERS' perspective on relevant business risks, service expectations, and timing and communication preferences. OCERS will receive periodic status reports and will be informed timely of the audit progress, including any potential audit issues. Our approach to resolving potential issues is to first verify that all facts and circumstances are considered by involving management from the Finance Department (audit liaison) and other departments (as applicable). Our partners and managers will be actively involved to ensure you have direct access to decision makers and will work with you to resolve any issues. Furthermore, as we become aware of opportunities for OCERS to improve controls, operational, or reporting matters, we will bring them to your attention and provide meaningful observations and recommendations.

ANTICIPATED POTENTIAL AUDIT ISSUES

Notwithstanding the unprecedented circumstances resulting from the coronavirus (COVID-19) outbreak, we continue to have a professional obligation to gather sufficient appropriate audit evidence in support of OCERS' financial statements. Travel restrictions, actual or suspected infections, work from home requirements, changes – such as work force reductions – made to accommodate the current business environments, or other similar matters may result in delays in OCERS' employees' ability to provide us the necessary audit evidence on a timely basis or at all. Similarly, such matters may impact our own ability to collect or appropriately assess necessary audit evidence on a timely basis or at all.

Should such events occur, OCERS and MGO will make good faith efforts to complete alternative procedures to gather and assess necessary audit evidence. Such procedures might include, but not be limited to, our respective employees working from home, transferring more audit information via electronic modes (preferably through our secure MGO exchange portal), and meeting virtually rather than in-person. As to audit evidence transferred via electronic modes, OCERS is responsible to ensure that such evidence is authentic, complete, and accurate for the purposes it is meant to serve. MGO will perform, as it deems necessary, incremental procedures to validate the authenticity, completeness, and accuracy of such audit evidence. In particular, impacts from the COVID-19 outbreak may result in our inability to properly complete the engagement or require us to include such an explanatory or emphasis paragraph in our auditor's report.

While we do not anticipate any disruptions or delays, we will notify OCERS if such alternative procedures require additional efforts and, if possible, an estimate of any additional cost.

SECTION 5

Price Proposal



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Cost Proposal

MGO understands the unique cost pressures facing governmental agencies in this economic environment. We've seen some very questionable tactics of underbidding just to seal the deal, without considering the outcome. We don't play those games; our professional integrity will not allow it.

A former Director of the SEC's Enforcement Division said it well: ". . .it is critical that auditors of public agencies conduct their audits with a high degree of rigor, competence and independence, and that public agencies hire auditors who have the technical skills, experience and resources to conduct proper audits and not hire auditors based primarily on the lowest bid..."

We are dedicated to delivering tangible, sustainable savings while improving the quality of service you can expect from your auditor. MGO has always maintained a high degree of flexibility in our audit plan, modifying it annually as your organization risks change or newly requested services or regulatory requirements are added. By developing a highly trained team of public sector assurance experts, focused exclusively on government year-round, we believe we can deliver the most value in the industry.

Professional Fee Philosophy

Our fee philosophy is to foster long-term client relationships by offering fair and competitive pricing. If the scope of work is expanded or we encounter circumstances that could significantly affect this fee estimate, we will meet with responsible OCERS officials to discuss the issues and potential fee adjustments before additional work is incurred.

OCERS will have access to a high level of expertise and specialized skills that cross multiple disciplines. We will be available during the year to consult with you on financial management and accounting matters of a routine nature. Our proposed fees include anticipation for implementations of a new ERP system and a new pension administration system. The potential transition to a new custodian bank will not result in additional charges. Our professionals have a proven reputation for demonstrating an uncompromising dedication to responsive, value-added service.

Total All-Inclusive Maximum Price

Our proposed all-inclusive fees reflect the MGO Team's experience are summarized below.

PROPOSED FEE		AUDIT YEAR						Total
No.	Deliverables	2021	2022	2023	2024	2025	2026	
1	Basic Financial Statements	\$ 118,000	\$ 121,550	\$ 125,200	\$ 128,950	\$ 132,800	\$ 136,800	\$ 763,300
2	GASB 68 Schedules	10,900	11,250	11,600	11,950	12,300	12,650	70,650
3	Implementation of New ERP System	-	6,000	-	-	-	-	6,000
4	Implementation of New Pension Administration System	-	-	-	2,000	2,050	2,100	6,150
Total		\$ 128,900	\$ 138,800	\$ 136,800	\$ 142,900	\$ 147,150	\$ 151,550	\$ 846,100

SECTION 5 | PRICE PROPOSAL

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SECTION 6

Attachments



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Business License



BOARD OF ACCOUNTANCY

LICENSING DETAILS FOR: 5230

NAME: MACIAS GINI & O'CONNELL LLP

LICENSE TYPE: CPA - PARTNERSHIPS

LICENSE STATUS: CLEAR

PREVIOUS NAMES: MACIAS GINI & COMPANY LLP • MACIAS & COMPANY CPAS •
MACIAS & MIRANDA, CPAS • MACIAS & PIERINI CPA'S

ADDRESS

500 CAPITOL MALL SUITE 2200
SACRAMENTO CA 95814
SACRAMENTO COUNTY

ISSUANCE DATE
JULY 5, 1988

EXPIRATION DATE
JULY 31, 2022

CURRENT DATE / TIME
SEPTEMBER 2, 2021
2:40:17 PM



Certified
Public
Accountants

Sample Standard Professional Services Contract

September __, 2021

To the Board of Retirement of
the Orange County Employees Retirement System
Santa Ana, California

The following represents our understanding of the services we will provide Orange County Employees Retirement System.

You have requested that we audit the financial statements of Orange County Employees Retirement System (OCERS) as of December 31, 2021, and for the year then ended and the related notes, which collectively comprise OCERS' basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the basic financial statements.

Accounting principles generally accepted in the United States of America, (U.S. GAAP,) as promulgated by the Governmental Accounting Standards Board (GASB) require that management's discussion and analysis and schedules related to the pension plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America, (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis
- Schedule of Changes in the Net Pension Liability of Participating Employers
- Schedule of Investment Returns
- Schedule of Employer Contributions
- Significant Factors Affecting Trends in Actuarial Information – Pension Plan

Supplementary information other than RSI will accompany OCERS' basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

- Schedule of Contributions
- Schedule of Administrative Expenses
- Schedule of Investment Expenses
- Schedule of Payments for Professional Services

Also, the document we submit to you will include the following other additional information that *will not* be subjected to the auditing procedures applied in our audit of the basic financial statements:

- Introductory Section
- Investment Section
- Actuarial Section
- Statistical Section

In addition to our reports on the above mentioned financial statements, we will also issue the following types of reports:

- Independent auditor's report in accordance with *Government Auditing Standards*.
- Report to the Audit Committee (required communications to those charged with governance).
- Independent auditor's report on the total for all entities and for each individual employer of the rows titled total deferred outflows of resources, total deferred inflows of resources, net pension liability (asset), and total pension expense excluding employer-paid member contributions (specified row totals) included in the Schedule of Allocated Pension Amounts by Employer (Schedule) of the Orange County Employees Retirement System Cost-Sharing Multiple-Employer Pension Plan as of and for the fiscal year ended December 31, 2021, and the related notes.

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of OCERS' compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;
 - ii. Additional information that we may request from management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by the entity's auditor;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
- f. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- g. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- h. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- i. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
- j. For the accuracy and completeness of all information provided.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable

criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of OCERS's basic financial statements. Our report will be addressed to the governing body of OCERS. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will issue a written report describing the scope of our testing of internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

We also will issue a written report upon completion of our audit of the Schedule of Allocated Pension Amounts by Employer of the Orange County Employees Retirement System (OCERS) Cost-Sharing Multiple-Employer Pension Plan. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The timing of our audit will be scheduled for performance and completion as follows:

	<i>Begin</i>	<i>Complete</i>
Document internal control and preliminary tests	April 2022	April 2022

SECTION 6 | ATTACHMENTS

Mail confirmations	March 2022	March 2022
Perform year-end audit procedures	April 2022	May 2022
Issue audit reports	May 2022	by June 3, 2022

David Bullock is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Macias Gini & O'Connell LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices will be rendered every month as work progresses and are payable upon presentation. We estimate that our fee for the audit will be \$TBD. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use OCERS's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

At the conclusion of our audit engagement, we will communicate to Audit Committee the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Macias Gini & O'Connell LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to the California State Controller's Office or other regulatory body (Regulators) pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit

documentation will be provided under the supervision of Macias Gini & O'Connell LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the Regulators. The Regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Engagement with MGO Affiliates

If you have or expect to engage an affiliate of Macias Gini & O'Connell LLP (MGO) (see list of affiliates below) to perform services during the audit and professional engagement period (as defined below), you must notify MGO prior to entering into such engagement with the MGO affiliate. In addition, prior to signing this engagement letter, you must notify MGO of any service an MGO affiliate has performed prior to the audit and professional engagement period in order for MGO to ensure our independence in relation to this engagement. You will also be required to provide such representation within the management representation letter prior to the issuance of our report.

Audit and professional engagement period includes both:

- i. The period covered by any financial statements being audited or reviewed (the "audit period"); and
- ii. The period of the engagement to audit or review the audit client's financial statements or to prepare a report to be issued (the "professional engagement period"):
 - a. The professional engagement period begins when MGO either signs an initial engagement letter (or other agreement to review or audit a client's financial statements) or begins audit, review, or attest procedures, whichever is first; and
 - b. The professional engagement period ends when the audit client or MGO terminate the engagement and the audit client is no longer a client of MGO.

MGO Affiliates:

MGO Group LLC
 MGO Realty Advisors, Inc.
 MGO India Private Limited
 MGO Private Wealth, LLC
 MGO Technology Group, LLC
 MGO Insurance Services, LLC
 Cresta Management Services, LLC
 ELLO LLC
 ELLO Capital, LLC
 ELLO Advisors, LLC
 IntelliBridge Partners LLC

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

Macias Gini & O'Connell LLP

SECTION 6 | ATTACHMENTS

RESPONSE:

This letter correctly sets forth our understanding.

[*Entity Name*]

Acknowledged and agreed on behalf of Orange County Employees Retirement System by:

Title: _____

Date: _____

Macias Gini & O'Connell LLP
Terms and Conditions

I have read the attached Engagement Letter, including these Terms and Conditions, and understand its terms. I am authorized to sign the Engagement Letter on behalf of the party(ies) indicated.

These Terms and Conditions form part of the Engagement Letter under which Macias Gini & O'Connell LLP (MGO) will provide professional services to you (Client), as further described in the Engagement Letter to which this is attached. By signing the Engagement Letter, you agree to be bound by these Terms and Conditions. If you are using the services on behalf of a business, you represent, warrant, and agree that you have the authority to bind that business or entity to these terms and any policies referenced herein, including but not limited to those terms that limit MGO's liability, and require mediation and/or arbitration for potential legal disputes.

1. Dispute Resolution and Time Limitation on Claims

If any dispute arises among the parties hereto under the Engagement Letter, including these Terms and Conditions, or any claim related to a claim concerning the services provided for under this agreement or the fees charged to the extent they exceed \$25,000, the parties agree to discuss the dispute, and, if necessary, to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its Rules for Professional Accounting and Related Services Disputes, or JAMS, or ADR Services, Inc. (ADR), before filing a complaint or otherwise resorting to litigation or arbitration. The parties further agree the mediation will take place at an AAA or other service provider location in the county in which the MGO office that provided the services under this agreement is located. Each party shall be responsible for its own mediation expenses, and shall share equally in the mediator's fees and expenses.

You and MGO agree that any dispute over fees charged by MGO, but only if the disputed fees are in excess of \$25,000, which cannot be resolved through the mediation process described above, will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the AAA, or JAMS or ADR, except that under all circumstances the arbitrator must follow the laws of the State in which the MGO office that provided the services under this agreement is located. The parties may mutually agree to an alternative arbitration service provider (e.g., JAMS or ADR), subject to the same requirements as those provided for at the AAA. Such arbitration shall be binding and final. THE PARTIES UNDERSTAND THAT, BY AGREEING TO ARBITRATE ALL FEE DISPUTES, EACH PARTY IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BY A JUDGE OR JURY OR COURT TRIAL AND INSTEAD ARE ACCEPTING THE USE OF BINDING, NON-JUDICIAL ARBITRATION FOR RESOLUTION. Each party will bear its own costs of arbitration and both parties shall share equally the costs of the arbitrator(s).

If the parties cannot resolve their dispute, excluding any dispute over fees, through mediation, either party may pursue action in a State Court of competent jurisdiction in which the MGO office that provided the services under this Engagement Letter is located. Each party agrees that notwithstanding any applicable statute of limitations, any claim arising out of or related to this Engagement Letter must be filed within one (1) year after the party first knows of or has reason to know the facts underlying its claim or within two (2) years following the completion of the services provided for under this agreement, whichever is shorter. This paragraph may shorten, but in no event extend, any period of limitation an actions otherwise provided by applicable law.

2. Limitation on Damages and Liability

Unless otherwise prohibited by law or applicable professional standard, you agree that MGO and its personnel shall not be liable to you for any claims, liabilities, or expenses, whether in contract, in tort, at

law, or in equity, arising out of or relating to MGO's failure to meet its obligations under this Engagement Letter, for an aggregate amount in excess of the amount of MGO's fees actually paid to it under this Engagement Letter. Unless otherwise prohibited by law or applicable professional standard, in no event shall MGO or its personnel be liable for loss of profits, business opportunity, or any consequential, special, indirect, incidental, punitive, or exemplary damages relating to this engagement. It is acknowledged by the parties that the provisions of this Engagement Letter agreement, including the limitation on damages, have been negotiated at arms' length. This limitation on damages provision shall apply to the fullest extent of the law.

We rely in good faith on all information, assumptions, procedures and decisions communicated to us by you, your employees or your representatives, and we will not be responsible for any loss or other obligation arising from our reliance. Furthermore, the procedures we will perform in our engagement will be heavily influenced by, and dependent upon the written and oral representations and information that we receive from you. You agree that you are responsible for the accuracy and completeness of the representations and information provided to us by your employees, representatives and management, and you acknowledge that we may rely on the [Client] to ensure the accuracy and completeness of the representations and information we receive from its employees, representatives and management. In view of the foregoing, [Client or you] agree(s) to release, hold harmless, indemnify and defend MGO, its partners and personnel from any claims, costs (including attorneys' fees), losses, damages, liability, judgments, awards and settlements related to, arising out of, or resulting from misrepresentations, whether false, misleading, or incomplete information provided to us during our engagement by any of your employees, representatives or members of your management, whether or not such representations were intentional or authorized by you, except to the extent it is finally judicially determined that a claim, cost, loss, damage, liability, judgment, award or settlement was the result of fraud or intentional misconduct, or violation of statutory law, on the part of MGO. This provision shall survive the termination of this agreement and the completion of our services.

3. Governing Law, Jurisdiction, and Severability

This agreement and its terms shall be governed by, and construed in accordance with, the laws of the State in which the MGO office that provided the services under this Engagement Letter is located. More specifically, the parties agree to the personal jurisdiction by and venue in the state and federal courts in the county in which the MGO office that provided the service is located.] The parties agree to this choice of law and jurisdiction, and waive any defense based upon an inconvenient forum. This term will be enforced to the fullest extent permitted by applicable law. If any provision of this Engagement Letter, including these Terms and Conditions, is found by the court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions. However, such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth in this agreement.

4. Subpoena and Other Release of Documents

As a result of our services to you, we may be required or requested to provide information, testimony, or documents to you or a third-party pursuant to a subpoena, court order or other administrative or legal process in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding, in which we are not a party. You agree that our efforts in complying with such requests or demands will be deemed a part of this engagement and MGO shall be entitled to additional compensation, and not limited to the budgeted or estimated fees and costs for the services provided for under the Engagement Letter, for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

5. Use of Electronic Communication and Cloud-based Computing

In the performance of our professional services, we may communicate with each other and/or with others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used by an unintended third party, we cannot guarantee that such email communication will be properly delivered and read only by the addressee. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the unauthorized interception of these communications once they have been sent. Therefore, you hereby waive any liability whatsoever for any unintended interception or unintentional disclosure of email transmissions in connection with the performance of our professional services. MGO uses cloud-based computing services, including the storage of data and files, at third party, offsite, secure facilities. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions and cloud-based computing, including any direct or indirect damages that may result from any inadvertent or unanticipated disclosure of confidential or proprietary information, or disclosure through third party criminal conduct (e.g., hackers or hacking activities).

6. Privacy Policy

You are aware of, have had an opportunity to review, and consent to, MGO's Online Privacy Policy, which in compliance with the California Consumer Protection Act explains how MGO collects, uses, and protects personal information you provide to MGO, and explains your rights related thereto. MGO's Privacy policy also is in compliance with all applicable federal, state and local privacy and consumer protection laws and regulations. This is a link to MGO's Privacy Policy: <https://www.mgo CPA.com/privacy>

7. Independence

If applicable to you and the services to be provided to you pursuant to the Engagement Letter, professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the client in the performance of our services. Any discussions that your representatives have with professional personnel of MGO regarding employment could pose a threat to our independence. Moreover, if applicable, SEC rules could cause us not to be independent of the client if, within a restricted period, you were to hire, in a financial reporting oversight role, one of the engagement team members currently or previously assigned to the audit. This may include not only current employees of MGO, but also former employees and employees of other firms who work under our direction.] Therefore, you agree to inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

Moreover, to the extent that you have engaged a company affiliated with MGO to provide services related to your efforts to identify, interview, and hire officers, directors, or management, or related human resource efforts on your behalf, you agree to inform MGO so that MGO can evaluate whether there are any potential or actual independence considerations that may preclude, or otherwise limit the services MGO is able to perform. Therefore, you agree to inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

If we provide both attest and non-attest services to you, then in order to maintain our independence, you assume all management responsibilities for any non-attest services that we provide as part of the Services. You will designate a qualified individual with suitable skill, knowledge, or experience, from your senior management to oversee the non-attest services, evaluate the adequacy and results of the non-attest services, and accept responsibility for such services.

8. Hiring of MGO Personnel

If you hire one of our personnel directly from MGO during the performance of our services or within ninety (90) days after the completion of our services, where this is not prohibited by the SEC rules, if applicable, you agree to pay us a fee of Twenty-Five Percent (25%) of that individual's base compensation within sixty (60) days from the first day of employment.

9. Billing Policy

Each invoice is due and payable upon presentation and becomes past due after 30 days. An administrative charge of 1.5% per month may be charged on the unpaid balance outstanding over sixty (60) days past due.

10. Termination of Services and Withdrawal

We may terminate this agreement and withdraw from providing further services, I (a) any invoice become delinquent; (b) we become aware of any criminal, fraudulent, or similar acts by you or your management, the Client, or its management is accused of or becomes the subject of an investigation by any governmental entity of criminal fraudulent or similar acts which causes us to have reasonable doubt as to the integrity of the Client or management; (c) you fail to provide us with information we request; (d) you cause a substantial delay in our engagement work or we are unable to complete the engagement or are unable to form an opinion for reasons beyond our control; (e) you violate any of the terms of this agreement or the Engagement Letter; or (f) we are no longer able to satisfy our professional obligations regarding independence or conflicts of interest, or pursuant to applicable professional standards, or statutes. If we withdraw for any reasons, you agree to pay all of our fees for work performed and expenses incurred through the effective date of our withdrawal.

11. Force Majeure

MGO shall not be liable for breach of this agreement or the Engagement Letter caused by circumstances beyond our reasonable control, including but not limited to the Client's unwillingness, or failure to provide information necessary for the services to be completed.

12. Assignment

The Client shall not assign any rights, obligations or claims relating to this agreement or the Engagement Letter.

13. Independent Contractor

The services MGO provides to you are that of any independent contractor, and not as your employee, agent, partner, joint venture, or otherwise. Neither you nor we have a right, power, or authority to bind the other.

14. General Provisions

Client and MGO acknowledge and agree that all prior understandings, representations, and agreements heretofore made or reached by them are merged into this agreement, which alone fully and completely expresses their agreement. Any such prior understandings, representations and agreements are void and nonactionable. This agreement may be amended or modified only by a written agreement signed by you and MGO. In the event that there is a conflict between these Terms and Conditions and the Engagement Letter, the terms of the Engagement Letter shall control.

This agreement is a private agreement that has been specifically tailored to the interests of you and MGO in the transaction and subject matter it addresses, and it does not, and is not intended to contemplate, touch upon or affect the general public or matters of public interest or necessity. You and MGO have the right and the opportunity to review, revise, and consult with counsel concerning the provisions of this agreement, and it is acknowledged that both parties possess relatively equal capacity and resources to negotiate and bargain for the provisions contained in this agreement. It is further acknowledged that neither party has control over the property, interests or rights of the other, and that no fiduciary relationship exists between them.

Because both parties have had the right to review and revise this agreement, the rule of construction that any ambiguities are to be construed against the drafting party shall not be employed in interpreting this agreement. To the extent any provision or term of this agreement is held unenforceable, the remaining terms and provisions shall remain in full force and effect, and enforceable.

This agreement may be executed in several counterparts which, when taken together, shall constitute the entire agreement. A facsimile or electronic signature shall be treated as an original signature, provided that the party providing the facsimile or electronic signature shall be responsible for obtaining an ink signature that will be provided to the other party(ies) immediately upon request.

15. Non-CPA Owner Notice Requirement

MGO is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Therefore, depending on the nature of the services being provided, non-CPA owners may be involved in providing certain services hereunder.



Certified
Public
Accountants

Sample Formats for Required Reports

Independent Auditor's Report

To the Board of Retirement of the
Orange County Employees Retirement System
Santa Ana, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Orange County Employees Retirement System (System), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Orange County Employees Retirement System as of December 31, 2021, and the respective changes in financial position the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 8 to the basic financial statements, based on the actuarial valuation of the pension plan's total pension liability as of December 31, 2020, rolled forward to December 31, 2021, the total pension liability of participating employers exceeded the pension plan's fiduciary net position by \$_. The actuarial valuation is sensitive to the underlying assumptions, including the discount rate of _ percent, which represents the long-term expected rate of return on investments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The System's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability of Participating Employers, Schedule of Investment Returns, Schedule of Employer Contributions, Notes to the Required Supplementary Information, and Significant Factors Affecting Trends in Actuarial Information – Pension Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The other supplementary information, introductory, investments, actuarial, statistical, and glossary sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory, investments, actuarial, statistical, and glossary sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June __, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Irvine, California
June __, 2022



**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***

To the Board of Retirement of the
Orange County Employees Retirement System
Santa Ana, California

We have audited, 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* issued by the Comptroller General of the United States, the financial statements of the Orange County Employees Retirement System (System) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June __, 2022. Our report contained an emphasis-of-matter paragraph that describes the net pension liability of participating employers as of December 31, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing 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 the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Irvine, California
June __, 2022



June __, 2022

To the Audit Committee of the
Orange County Employees Retirement System
Santa Ana, California

We have audited the financial statements of the Orange County Employees Retirement System (System) as of and for the year ended December 31, 2021, and have issued our report thereon dated June __, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September __, 2021, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the System solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the System is included in Note 2 to the financial statements.

There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during December 31, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the total pension liability and actuarially determined contributions. The actuarial pension data contained in Note 8 to the basic financial statements and required supplementary information is based on actuarial calculations performed by the System's actuary in accordance with the parameters set forth in GASB Statement No. 67, *Financial Reporting for Pension Plans*. The actuarial pension valuation is sensitive to the underlying assumptions, including the discount rate.
- Management's estimate of the fair value of real assets, private equity, absolute return, risk mitigation and diversified credit investments, including derivative investments and related income. Directly held real estate investment fair values are based on recent estimates provided by independent third-party appraisers. Fair values for timber, energy and agriculture are based on independent appraisals and/or estimates made in good faith by the general partner or management. Commingled real estate funds are based on the investment's net asset value per share provided by the investment manager firms/general partners. The fair value of private equity and absolute return investments that are not publicly traded were determined by management, in consultation with the general partner and valuation specialists, based on the net asset value per share (or its equivalent) of OCERS' ownership interest in partner's capital. The fair values of credit, risk mitigation, and unique strategies funds structured as partnerships are based on net asset value per share of the investment. The fair values for credit investments comprised of mortgages, direct lending and energy-based credit funds are based on the general partner's estimates considering factors such as market quotes, earnings-multiple analysis or discounted cash flow analysis.

We evaluated the key factors and assumptions used to develop these accounting estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the System's financial statements relate to:

- Participating employers' net pension liability, which is based on the total pension liability determined in the actuarial valuation as of December 31, 2020, and rolled forward to December 31, 2021, and the related sensitivity analysis. As described in Note 8 to the basic financial statements, the actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and these amounts and assumptions are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. The following significant unusual transactions identified as a result of our audit procedures were brought to the attention of management:

Identified or Suspected Fraud

We have identified or have obtained information that indicates that the following fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no such misstatements identified other than those that are clearly trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the System's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no such circumstances that affected the form and content of our auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated June __, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the System, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or

transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the System's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the System's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Modification of the Auditor's Report

We expect to have made the following modification to our auditor's report. Our audit report included an emphasis-of-matter paragraph that describes the net pension liability of participating employers as of December 31, 2021.

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

Irvine, California
June __, 2022



Independent Auditor's Report

To the Board of Retirement of the
Orange County Employees Retirement System
Santa Ana, California

Report on the Audit of the Schedule

Opinion

We have audited the employer allocations and the total for all employers of the rows titled total deferred outflows of resources, total deferred inflows of resources, net pension liability, and total pension expense excluding employer-paid member contributions (specified row totals) included in the accompanying Schedule of Allocated Pension Amounts by Employer (Schedule) of the Orange County Employees Retirement System (System) as of and for the year ended December 31, 2021 and the related notes.

In our opinion, the accompanying schedule presents fairly, in all material respects, the employer allocations and the total deferred outflows of resources, total deferred inflows of resources, net pension liability, and total pension expense excluding employer-paid member contributions for the total of all employers participating in the Orange County Employees Retirement System Cost-Sharing Multiple-Employer Defined Benefit Pension Plan as of and for the year ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood

SECTION 6 | ATTACHMENTS

that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

We have audited, in accordance with GAAS, the financial statements of the System as of and for the year ended December 31, 2021, and our report thereon, dated June __, 2022, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the System's management, the Board of Retirement, the Orange County Employees Retirement System Cost-Sharing Multiple-Employer Defined Benefit Pension Plan employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Irvine, California
June __, 2022

Questions?

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services firm



OPPORTUNITY RISING

PROPOSAL FOR FINANCIAL AUDITOR SERVICES FOR THE

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM

Kory Hoggan, Partner
Aaron Hamilton, Senior Manager

Moss Adams LLP
2040 Main Street, Suite 900
Irvine, CA 92614
(949) 221-4000



Dear Jim:

We're excited about the opportunity to work with Orange County Employees Retirement System (OCERS). We understand you're looking for a firm to provide audit services for the fiscal year ending December 31, 2021 and continuing for the next two years ending December 31, 2022 and December 31, 2023, with an option to renew the contract, on an annual basis, for up to an additional three years.

These are challenging times for public retirement systems. The current economic conditions resulting from the COVID-19 pandemic only accentuate the pressures felt by your board and management. Budget constraints, fiduciary responsibilities, uncertain domestic and global security markets, new accounting and reporting standards, and pressures from governments and credit rating agencies to maintain or improve the funded status and minimize reported net pension liability are only a few of the hurdles that you face in effectively providing services to the County and your members.

September 3, 2021

Jim Doezie
*Contracts, Risk &
 Performance
 Administrator*

**Orange County
 Employees Retirement
 System**
 2223 E. Wellington Avenue
 Suite 100
 Santa Ana, CA 92701

As OCERS considers an independent accounting firm to provide financial audit services and perform the annual audit of OCERS financial statements, we know you're seeking a firm that has the experience, resources, and qualifications to best assist you in meeting these challenges and being successful; a firm that provides a fresh perspective on your financial statements and internal procedures and can offer meaningful suggestions based on the technical standards and best practices among other public retirement systems. The firm that's the best fit will be the one that not only meets your criteria, but also clearly provides the greatest value for the investment of our time and limited resources in the audit process. We believe Moss Adams is the right choice for the following reasons:

- **Deep specialty in public employee retirement systems (PERS).** As one of the 15 largest accounting firms in the nation and the largest headquartered on the West Coast, we have the depth of resources necessary to serve OCERS with firmwide resources at our disposal. Our national PERS team serves as independent auditors to many public retirement systems. We have a deep understanding of the accounting and operational issues facing stand-alone PERS of all sizes and levels of funded status and will provide our firm's top industry professionals to OCERS.
- **Experience with audits of governmental entities.** Moss Adams is committed to serving governmental entities. We have numerous client service professionals who focus on governmental units that apply accounting principles promulgated by the Governmental Accounting Standards Board (GASB). All of the team members who'll serve OCERS specialize in providing services to governmental and PERS entities.

September 3, 2021

Jim Doezie
*Contracts, Risk &
Performance
Administrator*

**Orange County
Employees Retirement
System**
2223 E. Wellington Avenue
Suite 100
Santa Ana, CA 92701

- **Open, timely, and effective communication.** Part of the value we provide to you is a commitment to maintaining close and regular contact with you throughout the year. We're not once-a-year auditors who disappear for many months, only to return in time for the next audit. We're a hands-on resource with a bias for action and a constant resource for questions and advice.
- **Local team with national perspective.** Your audit will be staffed primarily with experienced professionals from our Orange County office. You'll have the resources you need in your own backyard, while having access to one of the largest providers of governmental and pension services in the western United States.
- **Fresh point of view.** Moss Adams and our PERS professionals have worked closely with many clients in facilitating the transition of their financial audits from other accounting firms. We'll minimize disruption to you and your staff and make the transition period as smooth as possible. Rotation of auditors assures that a fresh set of eyes is overseeing your audit. With a new perspective, we can suggest different ways to make your organization more efficient and cost effective. Our fresh viewpoint combined with our depth of experience is designed to result in a quality audit that properly assesses and responds to your unique risks and challenges.
- **Strong presence in California.** Moss Adams has long maintained a strong presence in the Golden State, growing our footprint in Southern California. We currently serve as independent auditors and consultants to several public pensions in California, including several "1937 Act" county retirement systems. With its complex maze of regulatory agencies and unique pension laws, California presents a number of challenges to retirement systems in the state—and those hoping to fulfill their fiduciary responsibilities in serving their members.

With client service and open communication placed above all else, we're enthusiastic about the opportunity to serve OCERS and to provide efficient and effective solutions for your audit and compliance needs. Moss Adams has a dedicated service group of trained professionals who perform audits and consulting for public and private sector retirement plans, and we offer year-round availability and flexibility in our scheduling to complete your audit early. We have the resources, conveniently located offices, and technical expertise to help you navigate your way to success. Thank you for your consideration of our proposal. We're excited about this opportunity and beginning a new relationship with you.

Sincerely,



Kory Hoggan, CPA
Partner
(505) 878-7214
kory.hoggan@mossadams.com



Aaron Hamilton, CPA
Senior Manager
(505) 837-7630
aaron.hamilton@mossadams.com

Table of Contents

	Minimum Qualifications Certification – Exhibit B	1
	Proposal Cover Page and Check List – Exhibit C	2
	Executive Summary	3
	Firm Background	3
	Government Services Practice	4
	Deep Specialty in Public Employee Retirement Systems (PERS)	5
	Firm Profile	6
	Firm History	6
	Ownership Structure	6
	Office Locations	6
	Organization Chart	7
	Number of Employees & Annual Revenues	7
	Scope of Services Offered	7
	Specialties, Strengths, and Limitations	8
	Client Retention Rate	8
	Your Service Team	9
	Partner Rotation	15
	Quality and Continuity of Staff	16
	Technical Resources and Industry Involvement	17
	References	19
	Business License	20
	Standard Professional Services Contract	21
	Fees	31
	Work Plan and Audit Approach	33
	Transitioning to Moss Adams	33
	Audit Methodology	34
	Proposed Segmentation of the Engagement	35
	Level of Staff and Number of Hours to Be Assigned	41
	Type and Extent of Sampling Techniques to Be Utilized	41
	Approach to Auditing IT Systems	41
	Engagement Timeline	42
	Anticipated Potential Audit Problems	44
	Sample Formats for Required Reports	46
	Conflict of Interest	47
	Litigation and Disciplinary Action	48
	Additional Information	49
	Our Commitment to Being a Diverse, Inclusive, and Anti-Racist Firm	49
	Peer Review Report	55
	Exceptions to the Contract	56

Exhibit B
MINIMUM QUALIFICATIONS CERTIFICATION

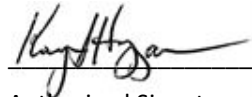
All firms submitting a proposal in response to this RFP are required to sign and return this attachment, along with written evidence of how the respondent meets each qualification.

The undersigned hereby certifies that it fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

Minimum Qualifications include:

1. The firm should have at least five (5) years prior experience in auditing governmental agencies and/or public pension funds.
2. The Engagement Partner must be licensed to practice in the State of California as a certified public accountant, and must demonstrate a strong knowledge of governmental accounting and auditing requirements based on prior experience leading audits of governmental agencies, or large pension or retirement systems with at least \$1 billion in plan net assets.
3. The firm should be licensed to practice in the state of California and be in good standing with the state.

The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.



Authorized Signature

September 3, 2021

Date

Kory Hoggan, Partner

Name and Title (please print)

Moss Adams LLP

Name of Firm

Exhibit C

PROPOSAL COVER PAGE AND CHECK LIST (TO BE SUBMITTED IN FIRM'S LETTERHEAD)

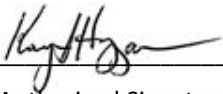
Respondent Name: Kory Hoggan, Partner for Moss Adams LLP

Respondent Address: 6565 Americas Parkway NE
Suite 600
Albuquerque, NM 87110

By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to comply with all requirements.

Respondent specifically acknowledges the following:

1. Respondent possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
2. Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of services.
3. The fee schedule submitted in response to the RFP is for the entire scope of services and no extra charges or expenses will be paid by OCERS.
4. Respondent has completely disclosed to OCERS all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of OCERS, or other officer, agent, or employee of OCERS presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
5. Materials contained in the proposal and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the California Public Records Act.
6. Respondent is not currently under investigation by any state of federal regulatory agency for any reason.
7. Except as specifically noted in the proposal, respondent agrees to all of the terms and conditions included in OCERS Services Agreement.
8. The signatory below is authorized to bind the respondent contractually.



Authorized Signature

Kory Hoggan, Partner

Name and Title (please print)

Moss Adams LLP

Name of Firm

September 3, 2021

Date

Executive Summary

FIRM BACKGROUND

Moss Adams is a fully integrated professional services firm dedicated to growing, managing, and protecting prosperity. With over 3,400 professionals across more than 25 locations in the market capitals of the West and beyond, we work with the world’s most innovative, dynamic, and promising clients and markets. Through a full spectrum of accounting, consulting, and wealth management services, we bring the deep industry specialization and inspired thinking our mid-market clients seek.

Since we put down roots in the Pacific Northwest more than 100 years ago, we’ve steadily expanded to serve clients not only in the West, but also across the nation and globally. Our full range of services includes accounting (assurance and tax), consulting (IT, strategy & operations, transactions, and specialty), as well as individual and institutional wealth management.

Moss Adams is one of the 15 largest US accounting and consulting firms and a founding member of Praxity, a global alliance of independent accounting firms providing clients with local expertise in the major markets of North America, South America, Europe, and Asia.

MOSS ADAMS BY THE NUMBERS



◀ 25+
locations

◀ 30%
racially and ethnically
diverse employees

◀ 3,400+
professionals

◀ 53%
female-identifying
workforce

best accounting
firms for women

– Accounting MOVE Project






awards of
excellence

– Innovations in
Diversity Journal

OUR COMMITMENT TO CALIFORNIA

Moss Adams has long maintained a strong presence in the Golden State, growing our footprint in both Northern and Southern California to 11 locations with over 1,165 employees, including more than 145 partners. With its complex state and local tax structure and maze of regulatory agencies, California presents a number of challenges to businesses based in the state and those hoping to do business there. Moss Adams has the resources, conveniently located offices, and technical expertise to help you navigate your way to success.

GOVERNMENT SERVICES PRACTICE

 <p>108 years in business & largest firm headquartered in the West</p>	 <p>3,890+ single audits performed since 1997</p>	 <p>260+ professionals dedicated to higher education, government, and not-for-profit clients</p>
	 <p>300+ government entities served</p>	 <p>1,800+ audits of government pension, health, and other employee benefit plans and trusts annually</p>

We recognize government organizations are accountable to many different constituencies—oversight agencies, audit committees, elected officials, taxpayers—all with different expectations and demands. That’s why we commit significant personnel and resources to our Government Services Practice, building technical expertise in all areas of government. We have several experienced partners and senior managers who lead audit engagements for over 300 government entities including state agencies; cities and counties; public colleges and universities; special purpose governments including ports, utility districts, and transit agencies; public retirement funds; and others.

Moss Adams has a group of specialized practices with more than 260 professionals who specialize in serving tax-exempt entities including governments, higher education institutions, not-for-profits, tribal and gaming entities, energy and utility entities, and federal contractors. Below is detailed information about our government experience:

Service	Our Experience
GASB Pronouncements	As a result of our extensive involvement with GASB working groups and committees, we keep up with the latest accounting standards and help many of our clients with implementation.
GFOA Certificate of Excellence in Financial Reporting Program	We’ve assisted each of our clients that participate in the Annual Comprehensive Financial Report program, including the Los Angeles City Employees’ Retirement System; Richmond Retirement System; American Samoa Government Employees Retirement Fund; City of Albuquerque, New Mexico; City of El Paso, Texas; City of Portland, Oregon; Port of Seattle, Washington; City of Medford, Oregon; City of Bend, Oregon; and many others.
Audits of Government Pension, Health, and Other Employee Benefit Plans and Trusts	Moss Adams audits over 1,800 plans of all types annually. Our retirement plan clients range in size from 100 to 100,000 participants with \$100,000 to over \$10 billion in assets. We audit large retirement and retiree health plans such as New Mexico Educational Retirement Board, New Mexico Public Employees Retirement Association, Kansas Public Employees Retirement System, Los Angeles City Employees’ Retirement System, County of Ventura, and American Samoa Government Employees’ Retirement Fund, to name a few.

DEEP SPECIALTY IN PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)

As one of the 15 largest accounting firms in the nation and with the third largest audit practice of employee benefit plans, we have the depth of resources necessary to serve OCERS with firmwide professionals at our disposal. Our national PERS team serves as independent auditors to many public retirement systems, such as the following:

Selected Public Employee Retirement and OPEB Systems Audited	
<ul style="list-style-type: none"> • American Samoa Government Employees' Retirement Fund • Antelope Valley Hospital Medical Center Retirement Plan • City of Portland Fire and Police Disability and Retirement Fund • El Paso Firemen and Policemen's Pension Fund • Kansas Public Employees' Retirement System • Los Angeles City Employees' Retirement System 	<ul style="list-style-type: none"> • New Mexico Educational Retirement Board • New Mexico Retiree Health Care Authority • Public Employees Retirement Association Deferred Compensation Plan of New Mexico • Richmond Retirement System • Sacramento County Section 457 Plan • Salinas Valley Memorial Healthcare District Employees Pension Plan • Spokane Employees' Retirement System • The City of Seattle Voluntary Deferred Compensation Plan and Trust • Ventura County Section 457 Plan

We have a deep understanding of the accounting and operational issues facing stand-alone PERS and governmental defined contribution plans and will provide our firm's top industry professionals to OCERS.

Kory Hoggan, who has over 20 years of experience serving PERS and employee benefit plan clients, will serve as the engagement leader. Kory serves on the AICPA State & Local Government Expert Panel Task Force for Public Employee Retirement Systems, is a frequent speaker at the AICPA National Conference for Employee Benefit Plans on the topic of governmental pensions and leads panels and presentations on retirement and OPEB systems to local and national audiences.

Firm Profile

FIRM HISTORY

It begins in 1913, the year President Woodrow Wilson signed the federal income tax into law. That same year, John G. McIntosh, CPA, set up a small Seattle practice to serve a booming Pacific Northwest timber industry. Through good times and bad, through two world wars and 19 US presidents, that practice steadily extended its reach—first regionally, then nationally—to serve the businesses and industries that built this country.

Today, that practice is Moss Adams, one of the largest accounting, consulting, and wealth management firms in the nation, dedicated to assisting clients with growing, managing, and protecting prosperity. But our principles remain the same as they were when we opened our doors more than a century ago: Consistently hire talented people, work hard to make a difference in our communities, and empower our clients to discover and claim success.

OWNERSHIP STRUCTURE

Moss Adams is organized as a limited liability partnership with more than 340 active partners. Firm business is conducted under the leadership of our chief executive officer, Chris Schmidt; our chief operating officer, Dave Follett; an elected executive committee; regional managing partners; partners in charge of our offices; and many industry chairpersons. Several additional committees handle specific issues and needs of the firm’s business, such as accounting and auditing standards, tax practice, firm training, industry business development, and information services. Our national office, located in Seattle, Washington, provides certain centralized support services for the firm. Our practice offices have local leadership to help improve opportunities in their local business environment, but offices also work collaboratively to best serve our clients.

OFFICE LOCATIONS



SPECIALTIES, STRENGTHS, AND LIMITATIONS



As OCERS selects an independent accounting firm to conduct your financial audit, you should consider a firm that has the experience, local resources, and qualifications to best assist you in meeting these challenges and being successful.

As one of the 15 largest accounting firms in the nation and the third largest pension and employee benefit plan audit services provider, we have the depth of resources necessary to serve OCERS with firmwide resources at our disposal. Very few firms truly specialize in the audits of retirement funds and other employee benefit plans, especially public retirement systems. We're proud to have this specialty and national experience with our partners and senior professionals.

Our national PERS specialty team serves as independent auditors to many public retirement systems and understands the unique accounting and operational risks and considerations for both defined benefit plans and pension systems sponsored by governmental entities, including the state of California laws and regulations specific to government-sponsored retirement systems. We'll provide our firm's top industry professionals to OCERS.

Moss Adams and our PERS professionals have worked closely with many clients to transition their financial audits from other accounting firms. We'll minimize disruption to you and your staff and make the transition period as smooth as possible. Rotation of audit firms assures you that a fresh set of eyes is overseeing your audit, and we're proposing a fresh team of experienced professionals to serve OCERS. With a new perspective, we can suggest innovative ways to make your organization more efficient and cost effective and to complete your audits in a timely manner and with minimal impact on your regular work routines. Our fresh viewpoint combined with our depth of experience is designed to result in a quality audit that properly assesses and responds to your unique risks and challenges.

CLIENT RETENTION RATE

As a result of our firm's commitment to premier client service, we have a long history of excellent client retention. An important aspect of this service includes maintaining the confidentiality of our clients', and former clients', financial and business information. As a result, we avoid disclosure of client information except as necessary to provide our services. In addition, while client relationships may be terminated for a variety of reasons, including financial reasons, project discontinuation, and change in strategy, we don't maintain records regarding such terminations.

Your Service Team

Working with the right team of professionals makes all the difference to your engagement. The team members we've thoughtfully selected to serve your specific needs have years of relevant experience. But more than that, you'll find they bring an optimistic perspective focused on helping you explore and embrace emerging opportunity. Your Moss Adams team will personally engage with your team and bring a new level of energy and enterprise to your engagement. Senior members of the audit team are duly licensed in their state of residence and will have practice privileges for California, as appropriate.

Kory Hoggan, CPA, Engagement Partner



Professional Experience

Kory has over 25 years of accounting experience and specializes in the audits of PERS and other employee benefit plans. He's a member of the executive committee for the firm's Employee Benefit Plan Services group and the technical committee for the firm's Government Services Practice. Kory led teams that developed audit templates and client tools and training for the implementation of GASB Statements No. 67 and No. 68, related to pension accounting and reporting; GASB Statement No. 72, covering fair value measurements and reporting; and GASB Statement No. 84, on fiduciary activities.

Kory has extensive experience managing audits of complex investments including limited partnerships, real estate, derivatives, private equity, collective trusts and pooled investments accounts, international securities, and securities lending, as well as equity and fixed income securities. Kory served on the AICPA State & Local Government Expert Panel Task Force for Public Employee Retirement Systems, a group tasked with addressing implementation issues for GASB No. 67 and No. 68.

Kory is a frequent speaker at the AICPA National Conference for Employee Benefit Plans on the topic of governmental pensions and regularly presents to national and local audiences on recent GASB pronouncements, including implementation of the governmental pension, OPEB, and fiduciary activities standards.

Kory currently serves PERS, public pension systems, and investment councils with net positions of both over and under \$10 billion. He also serves many single-employer defined benefit and defined contribution retirement plans. Kory currently serves the following clients:

- American Samoa Government Employees' Retirement Fund
- Antelope Valley Memorial Hospital
- Los Angeles County Employees Retirement Association
- New Mexico Educational Retirement Board

Kory Hoggan, CPA, Engagement Partner

- California Independent System Operators
- City of Portland Fire and Police Disability and Retirement Fund
- County of Sacramento
- County of Ventura
- El Paso Firemen and Policemen's Pension Fund
- Kansas Public Employees Retirement System
- Los Angeles City Employees' Retirement System
- New Mexico Retiree Health Care Authority
- New Mexico State Investment Council
- Richmond (Virginia) Retirement System
- Salinas Valley Memorial Health Care System
- San Diego City Employees' Retirement System (consulting)
- Warehousemen's Pension Trust Fund (Port of Seattle)

Professional Affiliations

- Certified Public Accountant, California, License Number 143953
- Former member, AICPA State & Local Government Expert Panel Task Force for Public Employee Retirement Systems
- Member, Government Finance Officers Association
- Member, American Institute of Certified Public Accountants
- Chapter president, Association of Government Accountants

Education

- MAcc, Brigham Young University

Laurie Tish, CPA, Concurring Partner & National Practice Leader, Government Services Practice**Professional Experience**

Laurie is our firm's national practice leader for the Government Services Practice and focuses on serving public retirement systems and governmental entities. Her expertise includes GAAP pertinent to governmental entities, municipal and tax-exempt finance, regulatory and statutory accounting and reporting, and federal compliance audits. She also serves as the lead partner on annual examinations and reviews of corporate sustainability reports. Laurie is a nationally recognized speaker on topics including government accounting and auditing standards, federal compliance, and corporate governance in the public sector.

Laurie has provided auditing and consulting services to special enterprise funds, general governments, public employee retirement systems, and not-for-profit entities.

Laurie Tish, CPA, Concurring Partner & National Practice Leader, Government Services Practice

Laurie is past chair of the Washington State Board of Accountancy and currently serves on the Board of Directors of the National Association of State Boards of Accountancy.

Professional Affiliations & Certifications

- Certified Public Accountant, Washington, License Number 11491 (with practice privileges in California)
- Immediate past chair, Board of Directors, National Association of State Boards of Accountancy
- Past chair, Washington State Board of Accountancy
- Past chair, Governmental Accounting and Auditing Committee, Washington Society of Certified Public Accountants
- Member, American Institute of Certified Public Accountants
- Former member, Professional Ethics Executive Committee, AICPA
- Member, Washington Society of Certified Public Accountants

Education

- BA, business administration, Foster School of Business, University of Washington

Aaron Hamilton, CPA, Senior Manager**Professional Experience**

Aaron has practiced public accounting since 2012. He provides audit, review, and consulting services for a variety of commercial and governmental clients. Aaron also provides consulting engagements to public retirement systems and governments across the country on pension accounting and reporting.

Aaron also leads engagements auditing private equity funds, private equity management companies, and a large private equity fund. He is one of the firm's experts on GASB No. 68 and No. 75 allocation audits and has experience drafting the allocation reports and creating user guides to help participating employers with their accounting.

Aaron currently serves the following clients:

- El Paso Firemen and Policemen's Pension Fund
- Los Angeles City Employees' Retirement System
- New Mexico Commission for the Blind
- New Mexico Mortgage Finance Authority
- New Mexico Retiree Health Care Authority
- New Mexico State Investment Council

Aaron Hamilton, CPA, Senior Manager

- New Mexico Educational Retirement Board
- New Mexico State Land Office
- New Mexico Finance Authority
- Richmond Retirement System

Professional Affiliations & Certifications

- Certified Public Accountant, New Mexico, License Number 6759 (with practice privileges in California)
- Member, American Institute of Certified Public Accountants
- Member, New Mexico Society of Certified Public Accountants

Education

- MAcc, Brigham Young University

Jason Lu, CPA, Senior Manager



Professional Experience

Jason has specialized in the audits of employee benefit plans and retirement systems since 2012. His responsibilities include assessing risk and internal controls, identifying areas of noncompliance, and drafting and preparation of financial statements and disclosures. He’s also responsible for supervising and training new staff on engagements. In addition to financial audits, Jason also performs compliance audit services for plans and assists in regulatory consulting.

Jason currently serves the following clients:

- Antelope Valley Hospital Retirement Plan
- Los Angeles City Employees’ Retirement System
- Kansas Public Employees Retirement System
- Salinas Valley Hospital Retirement Plan

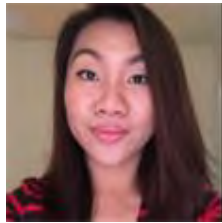
Professional Affiliations & Certifications

- Certified Public Accountant, Kansas, License Number 6220 (with practice privileges in California)
- Member, American Institute of Certified Public Accountants

Education

- MS, accounting, University of Kansas

May Lee, Senior Auditor



Professional Experience

May has practiced public accounting since 2016 and has experience with audits of pension plans in California.

Education

- MS, accountancy, University of Houston

Amy Ha, Staff Auditor



Professional Experience

Amy has practiced public accounting since 2020 and has experience with audits of pension plans in California.

Education

- BBA, accounting and business management, California State University – Los Angeles

LOCAL RESOURCES

Matt Parsons, CPA, Partner



Professional Experience

Matt has practiced public accounting since 2005. He specializes in serving governmental entities. In addition to audit services, Matt has performed many agreed-upon procedures for local government clients such as transient occupancy tax and franchise agreements reviews.

Matt's experience includes preparation of financial statements, internal control examinations, and conducting audits in accordance with *Government Auditing Standards* and single audits of federal awards. He currently sits on the technical review panel with the firm's national practice office and is responsible for reviewing financial statements issued by the firm to ensure they meet technical reporting requirements. He also reviews changes to the draft compliance supplement before it's issued to provide recommendations and request clarifications to ensure audit requirements for federal funds are clear and understandable.

Matt Parsons, CPA, Partner

Matt also provides training on accounting and auditing topics for Moss Adams professionals as well as clients and industry organizations. He has delivered a number of webinars on topics related GASB standards and the Uniform Guidance, and actively assists with publishing alerts and other relevant articles for clients related to emerging financial reporting and compliance issues.

Professional Affiliations & Certifications

- Certified Public Accountant, California, License Number 102134
- Member, American Institute of Certified Public Accountants
- Member, California Society of Certified Public Accountants
- Member, One OC Volunteer Advisory Council
- Member, Southern California Grantmakers
- Treasurer, Orange County Advisors in Philanthropy

Education

- BA, economics, University of California, Los Angeles

Senior- and Staff-Level Service Team Members

With careful consideration of your time and deadlines, we'll select and assign professionals to your engagement based on their PERS and governmental experience and ability to complete each assignment effectively. Because Moss Adams is an industry-focused firm, our staff and seniors begin developing their specializations early in their careers. There are a number of staff and seniors with PERS and governmental experience in our Orange County and Los Angeles offices. We'd be happy to make these individuals available for interviews at your request.

Partner Rotation

Partner rotation is sometimes mandated by regulation, sometimes recommended as a best practice by influential organizations, and other times requested by a client's board of directors. For example, we work with our local agency clients in California to comply with Assembly Bill 1345 (California Government Code section 12410.6(b)) which requires rotation of the lead audit partner after six consecutive years. Rotation makes sure a fresh set of eyes is overseeing the audit and mitigates the risk of independence impairment. The drawback, however, is that tacit knowledge of the organization rotates off with the outgoing partner. Given this drawback, the rotation interval should be carefully considered. Should your organization require or request partner rotation for any reason, our policy is to structure a succession program that makes sure the replacement partner is in place with plenty of lead time for a seamless transition. You'll also have the opportunity to meet and speak with the incoming audit partner before being assigned. We want you to be confident in that person's ability to continue providing the leadership, expertise, and exceptional service that you expect.

Quality and Continuity of Staff

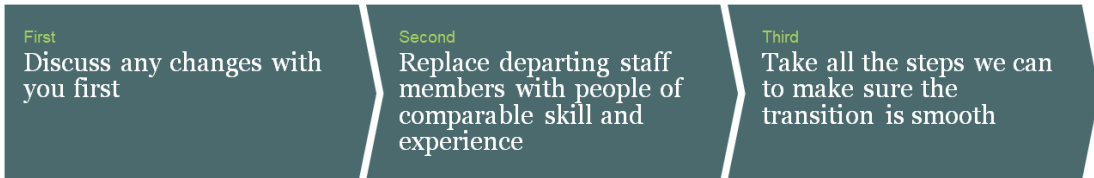
We take great pride in the experienced professionals we assign to engagements. Both our new and long-term clients regularly compliment our staff on their industry knowledge and practical approach. Due to our low turnover, we commit to returning staff on engagements whenever possible. OCERS will be served by some of our firm’s best client service partners and technical practitioners.

Keeping your service team consistent from year to year saves you the time required to train a new team during an engagement and allows you to focus on what you do best—managing your day-to-day business. It also helps us complete the engagement in a more efficient and timely manner because the team is already familiar with your operations.

Team continuity is the hallmark of a stable and efficient firm and, with an overall retention rate averaging over 80% firm wide over the past three years, we’re in a strong position to maintain your engagement team continuity.

Group	2020 Retention	2019 Retention	2018 Retention
Client Service Professionals	79.0%	78.8%	80.0%
Administrative Staff	84.1%	84.7%	84.6%

Our policy is to not rotate staff from an engagement team unless absolutely necessary. Typically, this would happen because a staff member left the firm or elected to change professional focus to a different industry group. As our retention statistics indicate, neither situation is very common. Still, if it were to become necessary to change members of your engagement team, we pledge to:



Technical Resources and Industry Involvement

Our Government Industry Involvement

Moss Adams stays on the leading edge of the government industry through our continued involvement in associations and with standard-setting entities. For these and other national and regional entities, our professionals attend annual meetings, trade shows, lectures, and industry-specific events as guests, speakers, and trainers. Here are a few of our affiliations; many of your team members have spoken at these events.

Type	Our Industry Involvement
Speaking Engagements	<ul style="list-style-type: none"> • AICPA Government and Not-for-Profit Training Program • AICPA Governmental Auditing and Accounting Conferences • Association of Government Accountants (local chapters) Events • California Society of CPAs Governmental Accounting and Auditing Conference • Falmouth Institute’s Indirect Cost Summit • Government Finance Officers Association (GFOA) Conferences • National Tribal Development Association Conference • Native American Finance Officers Association (NAFOA) Semiannual Conference • New Mexico Government Finance Executives Conference • Oregon Municipal Finance Officers Association Conference • Washington Public Utilities District Association
Professional Groups	<ul style="list-style-type: none"> • Several partners and senior managers are members of the Special Review Committee for the Government Finance Officers Association’s (GFOA) Certificate of Achievement for Excellence in Financial Reporting. • Laurie Tish (partner and national Government Services Practice leader) serves on the GASB Recognition & Measurement Attributes Task Force, is currently a chair on the National Association of State Boards of Accountancy (NASBA) Board of Directors, and a cochair on the AICPA/NASBA CPA Evolution Joint Task Force. • Since 2006, Moss Adams professionals have been selected to be a members of the AICPA’s Government Audit Quality Center (GAQC) Executive Committee. Erica Forhan (partner) is the immediate past chair. • Kory Hoggan (partner) is a member of the State & Local Government Expert Panel Task Force for Public Employee Retirement Systems and participated in the recent Governmental Accounting Standards Board (GASB) roundtables on evaluating GASB Nos. 67 and 68. • Tasha Repp (partner and national Tribal & Gaming Practice leader) was the NAFOA representative on the GASAC 2013–2018 and is currently a member of the GASAC executive committee and GASB Tribal Working Group.

Type	Our Industry Involvement
	<ul style="list-style-type: none"> • Lisa Todd (partner and our national Employee Benefit Plan Services leader) serves on the AICPA Employee Benefit Plans Expert Panel and the AICPA Employee Benefit Plan Audit Quality Center's (EBPAQC) executive committee. • Bertha Minnihan (partner and one of our national Employee Benefit Plan Services leaders) served on the AICPA Employee Benefit Plans Expert Panel and the AICPA EBPAQC executive committee, chaired the annual national AICPA Benefit Plan Conference for several years, and served on the AICPA Technical Standards Subcommittee, which assists with the DOL's review of ERISA audits and auditors. • Moss Adams is a world business partner of the Airports Council International-North America (ACI-NA). Olga Darlington (partner) represents our firm as an Accounting and Financing Working Group Member and Firm Representative of the ACI-NA's finance committee. • Tracy Paglia (partner) is the co-program director for the Tax Exempt / Government Entities Exempt Organizations Council. • Kinman Tong (partner) is a member of the CalCPA Governmental Accounting and Auditing Conference planning committee.

References

Hear for yourself the unique experience our clients have in working with our firm. We're confident they'll share stories of how we make their lives easier, help them identify and take advantage of rising opportunities, and guide them to increased prosperity.

Los Angeles City Employees' Retirement System	
Point of Contact:	Rahoon "Wally" Oyewole <i>Chief Department Accountant</i> (213) 978-6897 rahoon.oyewole@lacers.org
Summary of Work:	Annual financial statement audit and audit of employer allocations.
Length of Time Providing Services:	2020–Present
New Mexico Educational Retirement Board	
Point of Contact:	Jan Goodwin <i>Executive Director, New Hampshire Retirement System</i> (603) 410-3520 jan.goodwin@nhrs.org
Summary of Work:	Audits of statewide PERS financial statements and employer allocation schedules for New Mexico Educational Retirement Board, where Ms. Goodwin was the Executive Director until 2021.
Length of Time Providing Services:	2009–Present (New Mexico Educational Retirement Board)
Ventura County	
Point of Contact:	Patti Dowdy <i>Deferred Compensation Program Manager</i> (805) 662-6780 patti.dowdy@ventura.org
Summary of Work:	Audit of deferred compensation plans.
Length of Time Providing Services:	2018–Present

Business License

With offices in Irvine, San Francisco, Silicon Valley, Los Angeles, Woodland Hills, San Diego, Sacramento, Stockton, Santa Rosa, Napa, Walnut Creek, and Fresno, Moss Adams LLP is duly licensed to practice public accountancy in the state of California. Below is a copy of our California Secretary of State License as well as our California Board of Accountancy license.

BOARD OF ACCOUNTANCY

LICENSING DETAILS FOR: 4524

NAME: MOSS ADAMS LLP
LICENSE TYPE: CPA - PARTNERSHIPS
LICENSE STATUS: CLEAR
PREVIOUS NAMES: MOSS ADAMS_LLP ✦ MOSS ADAMS
ADDRESS
999 3RD AVE SUITE 2800
SEATTLE WA 98104
OUT OF STATE COUNTY

ISSUANCE DATE

NOVEMBER 8, 1982

EXPIRATION DATE

NOVEMBER 30, 2022

CURRENT DATE / TIME

JANUARY 13, 2021
12:07:45 PM

PUBLIC DOCUMENTS

- › CBA PUBLIC ENFORCEMENT DOCUMENTS (1)
 - CBA WEBSITE:** [LINK](#)

Standard Professional Services Contract

Our standard professional services contract is provided on the following pages.

September 3, 2021

Board of Retirement
Orange County Employees Retirement System
2223 East Wellington Avenue, Suite 100
Santa Ana, CA 92701-3161

Re: Audit Services

Thank you for the opportunity to provide services to Orange County Employees Retirement System ("OCERS"). This engagement letter ("Engagement Letter") and the attached Professional Services Agreement, and Contract No. _____ between Moss Adams LLP and OCERS (the "Audit Contract"), which is incorporated by this reference, confirm our acceptance and understanding of the terms and objectives of our engagement, and limitations of the services that Moss Adams LLP ("Moss Adams," "we," "us," and "our") will provide to OCERS.

Scope of Services – Audit

You have requested that we audit OCERS' statement of fiduciary net position as of December 31, 2021, and the related statement of changes in fiduciary net position for the year then ending, and the related notes to the basic financial statements. We will also report on whether the schedule of contributions, schedule of administrative expenses, schedule of investment expenses, and schedule of payments for professional services presented as supplementary information are fairly stated, in all material respects, in relation to the financial statements as a whole.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information ("RSI"), such as management's discussion and analysis, schedule of changes in net pension liability of participating employers, schedule of employer contributions, schedule of investment returns, significant factors affecting trends in actuarial information – pension plan, and the related notes to the RSI to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the OCERS' RSI in accordance with auditing standards generally accepted in the United States of America. We will not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

We will also audit the schedules of employer allocations and pension amounts by employer as of December 31, 2021 and issue a separate report on the allocation audit.

Timing

Kory Hoggan is responsible for supervising the engagements and authorizing the signing of the reports. We expect to begin the audit fieldwork for these engagements on a mutually agreed-upon date. As we reach the conclusion of each audit, we will coordinate with you the date the audited financial statements will be available for issuance.

Our scheduling depends on your completion of the year-end closing and adjusting process prior to our arrival to begin the fieldwork. We may experience delays in completing our services due to your staff's unavailability or delays in your closing and adjusting process. You understand our fees are subject to adjustment if we experience these delays in completing our services.

Fees

Our fees will be as outlined in the Audit Contract.

Our ability to provide services in accordance with our estimated fees depends on the quality, timeliness, and accuracy of OCERS' records, and, for example, the number of general ledger adjustments required as a result of our work. To assist you in this process, we will provide you with a Client Audit Preparation Schedule that identifies the key work you will need to perform in preparation for the audit. We will also need your accounting staff to be readily available during the engagement to respond in a timely manner to our requests. Lack of preparation, poor records, general ledger adjustments, and/or untimely assistance will result in an increase of our fees.

Reporting

We will issue a written report upon completion of our audit of OCERS' financial statements. Our report will be addressed to the Board of Retirement. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. Our services will be concluded upon delivery to you of our report on your financial statements and schedules of employer allocations and pension amounts by employer for the year ending December 31, 2021.

We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in the Agreement, please sign the enclosed copy of this letter and return it to us with the Professional Services Agreement.

Very truly yours,

Kory Hoggan, CPA
Partner, for
Moss Adams LLP

Enclosures

Accepted and Agreed:

This Engagement Letter and the attached Professional Services Agreement set forth the entire understanding of Orange County Employees Retirement System with respect to the engagements and the services to be provided by Moss Adams LLP:

Signature: _____

Print Name: _____

Title: _____

Date: _____

PROFESSIONAL SERVICES AGREEMENT

Audit and Nonattest Services - Government Auditing Standards Version

This Professional Services Agreement (the "PSA") together with the Engagement Letter, which is hereby incorporated by reference, represent the entire agreement (the "Agreement") relating to services that Moss Adams will provide to Orange County Employees Retirement System ("OCERS"). Any undefined terms in this PSA shall have the same meaning as set forth in the Engagement Letter.

Objectives of the Audit

The objective of our audit is the expression of an opinion on the financial statements and supplementary information. The objective also includes reporting on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*.

The report on internal control and compliance will include a statement that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance, that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance, and, accordingly, it is not suitable for any other purpose.

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. It will include tests of your accounting records and other procedures we consider necessary to enable us to express an opinion on the financial statements and to render the required reports. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Procedures and Limitations

Our procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. The supplementary information will be subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. At the conclusion of our audit, we will require certain written representations from management about the financial statements and supplementary information and related matters. Management's failure to provide representations to our satisfaction will preclude us from issuing our report.

An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Such material misstatements may include errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws, regulations, contracts, and grant agreements that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Pursuant to *Government Auditing Standards*, we will not provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements and noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards*. An audit is not designed to detect immaterial misstatements or noncompliance with the provisions of laws, regulations, contracts, and grant agreements that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors, fraudulent financial reporting, misappropriation of assets, and noncompliance with the provisions of laws, regulations, contracts and grant agreements that come to our attention, unless clearly inconsequential. We will also inform you of any other conditions or other matters involving internal control, if any, as required by *Government Auditing Standards*. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any time period for which we are not engaged as auditors.

Our audit will include obtaining an understanding of OCERS and its environment, including its internal control sufficient to assess the risks of material misstatements of the financial statements whether due to error or fraud and to design the nature, timing, and extent of further audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control and accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. However, if, during the audit,

we become aware of any matters involving internal control or its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, we will communicate them in writing to management and those charged with governance. We will also identify if we consider any significant deficiency, or combination of significant deficiencies, to be a material weakness.

We may assist management in the preparation of OCERS' financial statements and supplementary information. Regardless of any assistance we may render, all information included in the financial statements and supplementary information remains the representation of management. We may issue a preliminary draft of the financial statements and supplementary information to you for your review. Any preliminary draft financial statements and supplementary information should not be relied upon, reproduced or otherwise distributed without the written permission of Moss Adams.

Management's Responsibility

As a condition of our engagement, management acknowledges and understands that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. We may advise management about appropriate accounting principles and their application and may assist in the preparation of your financial statements, but management remains responsible for the financial statements. Management also acknowledges and understands that management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. This responsibility includes the maintenance of adequate records, the selection and application of accounting principles, and the safeguarding of assets. You are responsible for informing us about all known or suspected fraud affecting OCERS involving: (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting OCERS received in communications from employees, former employees, regulators or others.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Management is responsible for establishing and maintaining internal control over compliance with the provisions of laws, regulations, contracts, and grant agreements, and for identifying and ensuring that you comply with such provisions. Management is also responsible for addressing the audit findings and recommendations, establishing and maintaining a process to track the status of such findings and recommendations, and taking timely and appropriate steps to remedy any fraud and noncompliance with the provisions of laws, regulations, contracts, and grant agreements or abuse that we may report.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management agrees that as a condition of our engagement, management will provide us with:

- access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
- additional information that we may request from management for the purpose of the audit; and
- unrestricted access to persons within OCERS from whom we determine it necessary to obtain audit evidence.

Management's Responsibility for Supplementary Information

Management is responsible for the preparation of the supplementary information in accordance with the applicable criteria. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. Management is responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon. For purposes of this Agreement, audited financial statements are deemed to be readily available if a third-party user can obtain the audited financial statements without any further action by management. For example, financial statements on your Web site may be considered readily available but being available upon request is not considered readily available.

Dissemination of Financial Statements

Our report on the financial statements must be associated only with the financial statements that were the subject of our engagement. You may make copies of our report, but only if the entire financial statements (including related footnotes and supplementary information, as appropriate) are reproduced and distributed with our report. You agree not to reproduce or associate our report with any other financial statements, or portions thereof, that are not the subject of this engagement.

Offering of Securities

This Agreement does not contemplate Moss Adams providing any services in connection with the offering of securities, whether registered or exempt from registration, and Moss Adams will charge additional fees to provide any such services. You agree not to incorporate or reference our report in a private placement or other offering of your equity or debt securities without our express written permission. You further agree we are under no obligation to reissue our report or provide written permission for the use of our report at a later date in connection with an offering of securities, the issuance of debt instruments, or for any other circumstance. We will determine, at our sole discretion, whether we will reissue our report or provide written permission for the use of our report only after we have conducted any procedures, we deem necessary in the circumstances. You agree to provide us with adequate time to review documents where (a) our report is requested to be reissued, (b) our report is included in the offering document or referred to therein, or (c) reference to our firm is expected to be made. If we decide to reissue our report or provide written permission to the use of our report, you agree that Moss Adams will be included on each distribution of draft offering materials and we will receive a complete set of final documents. If we decide not to reissue our report or withhold our written permission to use our report, you may be required to engage another firm to audit periods covered by our audit reports, and that firm will likely bill you for its services. While the successor auditor may request access to our engagement documentation for those periods, we are under no obligation to permit such access.

Changes in Professional or Accounting Standards

To the extent that future federal, state, or professional rule-making activities require modification of our audit approach, procedures, scope of work, etc., we will advise you of such changes and the impact on our fee estimate. If we are unable to agree on the additional fees, if any, that may be required to implement any new accounting and auditing standards that are required to be adopted and applied as part of our engagement, we may terminate this Agreement as provided herein, regardless of the stage of completion.

Representations of Management

During the course of our engagement, we may request information and explanations from management regarding, among other matters, OCERS' operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide us with a written representation letter confirming some or all of the representations made during the engagement. The procedures that we will perform in our engagement will be heavily influenced by the representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or fraud to go undetected by our procedures. In view of the foregoing, you agree that we will not be responsible for any misstatements in OCERS' financial statements and supplementary information that we fail to detect as a result of false or misleading representations, whether oral or written, that are made to us by OCERS' management. While we may assist management in the preparation of the representation letter, it is management's responsibility to carefully review and understand the representations made therein.

In addition, because our failure to detect material misstatements could cause others relying upon our audit report to incur damages, OCERS further agrees to indemnify and hold us harmless from any liability and all costs (including legal fees) that we may incur in connection with claims based upon our failure to detect material misstatements in OCERS' financial statements and supplementary information resulting in whole or in part from knowingly false or misleading representations made to us by any member of OCERS' management.

Fees and Expenses

OCERS acknowledges that the following circumstances will result in an increase of our fees:

- Failure to prepare for the audit as evidenced by accounts and records that have not been subject to normal year-end closing and reconciliation procedures;
- Failure to complete the audit preparation work by the applicable due dates;
- Significant unanticipated transactions, audit issues, or other such circumstances;
- Delays causing scheduling changes or disruption of fieldwork;

- After audit or post fieldwork circumstances requiring revisions to work previously completed or delays in resolution of issues that extend the period of time necessary to complete the audit;
- Issues with the prior audit firm, prior year account balances or report disclosures that impact the current year engagement; and
- An excessive number of audit adjustments.

We will endeavor to advise you in the event these circumstances occur, however we may be unable to determine the impact on the estimated fee until the conclusion of the engagement. We will bill any additional amounts based on the experience of the individuals involved and the amount of work performed.

Billings are due upon presentation and become delinquent if not paid within 30 days of the invoice date. Any past due fee under this Agreement shall bear interest at the highest rate allowed by law on any unpaid balance. In addition to fees, you may be billed for expenses and any applicable sales and gross receipts tax. Direct expenses may be charged based on out-of-pocket expenditures, per diem allotments, and mileage reimbursements, depending on the nature of the expense. Indirect expenses, such as processing time and technology expenses, may be passed through at our estimated cost and may be billed as a flat charge or a percentage of fees. If we elect to suspend our engagement for nonpayment, we may not resume our work until the account is paid in full. If we elect to terminate our services for nonpayment, or as otherwise provided in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our work. You will be obligated to compensate us for fees earned for services rendered and to reimburse us for expenses. You acknowledge and agree that in the event we stop work or terminate this Agreement as a result of your failure to pay on a timely basis for services rendered by Moss Adams as provided in this Agreement, or if we terminate this Agreement for any other reason, we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

Limitation on Liability

IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR OTHERWISE ARISING OUT OF THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

Subpoena or Other Release of Documents

As a result of our services to you, we may be required or requested to provide information or documents to you or a third-party in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding (including a grand jury investigation), in which we are not a party. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we will construe your inaction or failure as consent to comply with the request. Our efforts in complying with such requests or demands will be deemed a part of this engagement and we shall be entitled to additional compensation for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

Pursuant to authority given by law or regulation, we may be requested to make certain engagement documentation available to an applicable entity with oversight responsibilities for the audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such engagement documentation will be provided under the supervision of Moss Adams personnel. Furthermore, upon request, we may provide photocopies of selected engagement documentation to the aforementioned parties. These parties may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

Document Retention Policy

At the conclusion of this engagement, we will return to you all original records you supplied to us. Your records are the primary records for your operations and comprise the backup and support for the results of this engagement. Our records and files, including our engagement documentation whether kept on paper or electronic media, are our property and are not a substitute for your own records. Our firm policy calls for us to destroy our engagement files and all pertinent engagement documentation after a retention period of seven years (or longer, if required by law or regulation), after which time these items will no longer be available. We are under no obligation to notify you regarding the destruction of our records. We reserve the right to modify the retention period without notifying you. Catastrophic events or physical deterioration may result in our firm's records being unavailable before the expiration of the above retention period.

Except as set forth above, you agree that Moss Adams may destroy paper originals and copies of any documents, including, without limitation, correspondence, agreements, and representation letters, and retain only digital images thereof.

Use of Electronic Communication

In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the Internet. Such communications may include information that is confidential. We employ measures in the use of electronic communications designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume you consent to our use of electronic communications to your representatives and other use of these electronic devices during the term of this Agreement as we deem appropriate.

Use of Third-Party Service Providers

We may use third-party service providers in serving you. In such circumstances, if we need to share confidential information with these service providers, we will require that they maintain the confidentiality of your information.

Enforceability

In the event that any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of this Agreement.

Entire Agreement

This Professional Services Agreement and Engagement Letter constitute the entire agreement and understanding between Moss Adams and OCERS. OCERS agrees that in entering into this Agreement it is not relying and has not relied upon any oral or other representations, promise or statement made by anyone which is not set forth herein.

In the event the parties fail to enter into a new Agreement for each subsequent calendar year in which Moss Adams provides services to OCERS, the terms and conditions of this PSA shall continue in force until such time as the parties execute a new written Agreement or terminate their relationship, whichever occurs first.

Use of Moss Adams' Name

OCERS may not use any of Moss Adams' name, trademarks, service marks or logo in connection with the services contemplated by this Agreement or otherwise without the prior written permission of Moss Adams, which permission may be withheld for any or no reason and may be subject to certain conditions.

Use of Nonlicensed Personnel

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

Dispute Resolution Procedure, Venue and Limitation Period

This Agreement shall be governed by the laws of the state of Washington, without giving effect to any conflicts of laws principles. If a dispute arises out of or relates to the engagement described herein, and if the dispute cannot be settled through negotiations, the parties agree first to try in good faith to settle the dispute by mediation using an agreed upon mediator. If the parties are unable to agree on a mediator, the parties shall petition the state court that would have jurisdiction over this matter if litigation were to ensue and request the appointment of a mediator, and such appointment shall be binding on the parties. Each party shall be responsible for its own mediation expenses and shall share equally in the mediator's fees and expenses.

If the claim or dispute cannot be settled through mediation, each party hereby irrevocably (a) consents to the exclusive jurisdiction and venue of the appropriate state or federal court located in King County, state of Washington, in connection with any dispute hereunder or the enforcement of any right or obligation hereunder, and (b) WAIVES ITS RIGHT TO A JURY TRIAL. EACH PARTY FURTHER AGREES THAT ANY SUIT ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE FILED WITHIN ONE (1) YEAR AFTER THE CAUSE OF ACTION ARISES.

Termination

This Agreement may be terminated by either party, with or without cause, upon ten (10) days' written notice. In such event, we will stop providing services hereunder except on work, mutually agreed upon in writing, necessary to carry out such termination. In the event of termination: (a) you shall pay us for services provided and expenses incurred through the effective date of termination, (b) we will provide you with all finished reports that we have prepared pursuant to this Agreement, (c) neither party shall be liable to the other for any damages that occur as a result of our ceasing to render services, and (d) we will require any new accounting firm that you may retain to execute access letters satisfactory to Moss Adams prior to reviewing our files.

Hiring of Employees

Any offer of employment to members of the audit team prior to issuance of our report may impair our independence, and as a result, may result in our inability to complete the engagement and issue a report.

Mutual Waiver of COVID-19 Claims

This provision addresses issues regarding the novel coronavirus ("COVID-19"). The Parties acknowledge their respective understanding of the hazards of COVID-19, including, but not limited to, its highly contagious nature and the corresponding health risks associated with being exposed to or infected by COVID-19. Each Party agrees to waive, release, discharge, and covenants not to sue the other Party or its affiliates and its and their respective officers, directors, partners, principals, employees, agents, or subcontractors from any and all claims, damages, expense, liability, illness or losses that may occur from exposure to or infection by COVID-19 arising out of, related to, or in any way connected with the professional services provided by Moss Adams.

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Fees

For our clients, it's about more than the dollars you pay at the end of the day; it's about value. Consider both the tangible and intangible benefits of working with us. You'll get solid and timely deliverables. But more than that, the experience you'll have working with forward-thinking, industry-specialized professionals who work side by side with you to explore new possibilities is where you'll see the value. Invest in your future prosperity and experience a different style of service with us. Our estimated fees are based on budgeted hours for the audits of similar public pension funds based on the standard hourly rates of the individuals proposed for your engagements.

Service Description	2021	2022	2023
Audit of financial statements for the year ending December 31	\$ 99,500	\$ 100,500	\$ 101,500
Audit of employer allocations (GASB 68) for the year ending December 31	\$ 16,300	\$ 16,800	\$ 17,000
Total	\$ 115,800	\$ 117,300	\$ 118,500

Fee Details

Subject	The Details
Client Acceptance Procedures	The scope of work and fee quotes are subject to our client acceptance process, which: 1) verifies that all parties understand the specific services we're being asked to perform; 2) ensures contract terms are acceptable to both parties and in agreement with professional standards; and 3) confirms we've staffed the engagement with individuals qualified with the necessary experience to fulfill our commitments to our prospective client. We'll also need to complete our inquiries of your former auditor as required by our professional audit standards.
First-Year Costs	We acknowledge that changing auditors can be disruptive to your staff's routines, since a new audit team needs to spend time learning your systems. We'll absorb all costs related to the transition.
Progress Billing	Progress billings are based on hours and expenses completed at the time of billing. Bills are due upon receipt.
Cost Overruns	During the course of the audit, we'll measure our progress against our planned budget. If situations arise that are significantly different than our expectations, we'll bring them to your attention immediately and discuss various options before we proceed. We'll meet weekly during the course of fieldwork with the appropriate parties to ensure there are open lines of communication between our organizations.
Future New Audit and Accounting Standards	Our fee estimate discussed herein is based on accounting and professional standards that exist and are applicable as of the date of this proposal. To the extent that future rulemaking activities require modification to our audit approach, procedures, scope of work, etc., we'll advise you of such changes and the impact on our fee proposal.

Subject	The Details
Routine Phone Calls and Emails	Our policy is to not charge for short telephone calls seeking miscellaneous advice unless those consultations require significant additional work or research. If a matter requires further follow-up, we'll discuss a fee estimate with you before incurring significant time.
Predecessor Auditors	Our fee estimates are based on the assumption that the predecessor auditors will provide timely access to their audit working papers for the year ended December 31, 2020. Further, it's assumed that the audit work performed by the predecessor auditor will be adequate to support beginning balances.
Audit Preparation	Our proposed fees are based on the presumption that your books and records will be ready for audit and minimal audit adjustments will be required. If accounting assistance is required to reconcile accounts, we'll discuss the issues with you, and additional fees will be billed separately, at our standard rates. Additionally, our fee quote assumes that we won't identify any audit findings, including significant deficiencies or material weaknesses. If potential audit findings are identified, costs for investigating and reporting them will be in addition to our audit fees.

Work Plan and Audit Approach

TRANSITIONING TO MOSS ADAMS

It's our first step in welcoming you as a new client—and it's an important one. Our goal? To avoid disruption to your staff and make the transition period as smooth as possible. You'll get:



Transition Steps

1. **Entrance meetings.** Conference with your management and staff and other appropriate groups, including your actuaries (Segal & Co.) and investment custodian (State Street), to discuss risks, expectations, processes, and timelines. We currently audit various public pension systems that work with Segal & Co., State Street, and Meketa Investment Group, and have strong working relationships with each of these service providers.
2. **Planning sessions.** Meet with key managers to discuss risks, expectations, the audit process and timelines, and to share key strategic, financial, and operational information. Timelines will be developed for each of the key phases including the financial statements, actuarial valuations, and allocation schedules under GASB No. 68.
3. **Review working papers.** Examine your prior auditor's working papers to understand their audit approach and the timing of their procedures, and to determine the scope of any additional procedures our team will perform on the opening balances in your financial statements.
4. **Develop the communication plan.** Our preferred communication plan entails a weekly status meeting during fieldwork periods, and regular video conference calls when not in the field, with key members of your team to discuss findings so far, open items, a review of work completed and yet to be performed, and related information needs for the upcoming weeks. These meetings are used to gauge progress toward agreed-upon milestones and timelines. We find we can be flexible in our staffing and timing of our audit procedures to address challenges when they're identified early and discussed in these debrief meetings.

Kory Hoggan will have the ultimate responsibility for these meetings and communications based on reports from senior staff assigned to each segment, as discussed below and in our audit approach.

5. **Design audit approach.** Devise an efficient and effective approach that addresses the potential risks we discover during the transition—and assign senior level staff to key segments of the work to ensure proper and timely supervision of our team and their work. We find that by dividing the work into segments and assigning different individuals to those segments, we can ensure the timely delivery of our services and effective communication of the status to your management team.

How We'll Communicate with Your Governance and Management Teams

We'll lead extensive communication prior to beginning the actual fieldwork to gain a clear understanding of expected audit issues, our testing approach, and the documentation needed. We're very conscious of not duplicating our efforts and will attempt to use existing documentation whenever possible. We don't demand that our clients conform to pro forma documentation.

As we begin the audit, we like to conduct an entrance conference with your audit committee, finance staff, and/or other members of the governance team. We'll schedule conference calls with your key investment officers and managers to understand the composition of your alternative investment portfolio and develop a risk-based approach to auditing investments, rather than immediately sending conformation requests to all of your fund managers. We'll coordinate with your independent actuaries, as well as members of your management team who oversee the actuarial valuation and measurements, to coordinate providing reviewed financial statement drafts and understanding of actuarial assumptions used. In the entrance meeting, we'll discuss our audit approach, timing, and provide an opportunity for management and other OCERS representatives to convey any issues, risks, or areas of special focus.

At the end of our fieldwork, we'll hold an exit conference with management as well as the individuals you designate, including members of your audit committee or Board of Retirement. We'll share all findings, the status of the audit, projected timeliness for completion, and, our comments on your drafted financial statements. OCERS and management will have the opportunity to investigate and respond to any findings prior to formal communications. The goal of our preferred communication style is to allow OCERS representatives to share in the formation of our risk assessments and areas we'll perform testing, reduce surprises from any potential findings we have along the way, and present audit results in draft form before we provide final written reports. This preferred style allows us to meet our objective to help prevent unwanted surprises, as well as to meet OCERS' desire to hear from its auditor on operational issues, discuss our observations, and communicate important issues during the audit.

AUDIT METHODOLOGY

We know it's not just about what we do; it's how we do it. For us, an audit isn't just a compliance exercise. We believe it's an opportunity to view OCERS at a macro level, go well beyond the numbers, and provide greater value than simply complying with a requirement.

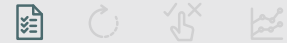
And, because we have a deep respect for your time and don't believe in the one-size-fits-all approach, we can offer you an audit approach that's customized specifically to your organization. After all, why spend time on procedures that aren't necessary? Customizing our process results in an efficient audit that's complete in fewer hours.

What's different about our approach? Rather than a checklist approach, which scales an audit from the needs of the largest organizations, we tailor our audits from the bottom up, focusing on the important areas of risk, relevant to OCERS operations and financial reporting.

PROPOSED SEGMENTATION OF THE ENGAGEMENT

The following is a summary of our specific audit approach including the level of staff and estimated number of hours to be assigned to each proposed segment of the engagement:

Planning



Throughout the planning phase of the audit, we'll:

- Perform planning inquiries and discussions with OCERS management to establish a mutually agreed-upon timeline for the audit and any changes with OCERS processes, provisions, or personnel during the year.
- Conduct planning sessions with OCERS management and staff to outline and share mutual expectations. By maintaining ongoing communication throughout the year, there are typically no surprises in these planning discussions.
- Design an audit approach with effective risk coverage and efficient procedures.
- Prepare a list of audit schedules to be prepared by OCERS, with consideration of the format and information that was provided to the prior audit firm.
- Coordinate with OCERS internal audit division to consider examinations performed by internal audit during the year in our risk assessment.
- Gain an understanding of OCERS' IT environment and related information technology general controls significant to key systems and applications and perform tests of the operating effectiveness of internal controls. The way you use IT to process accounting information can have a significant impact on our assessment of, and reliance on, your internal controls. Your audit team, with specialists from our IT consulting practice, will evaluate the technology environment and assess its impact on audit procedures and our reliance on internal controls.

During the planning phase—which we primarily perform remotely—we conduct preliminary analytical reviews, which consist of a comparison of current- and prior-year results, as well as actual and budgetary information. We also consider preliminary plan results, in light of information obtained, by reviewing OCERS' Board minutes and communications with management. Also, in conformity with audit standards, our team will hold internal “brainstorming” meetings and meeting with OCERS management and staff to discuss fraud risks related to OCERS.

Evaluating Risk

For each balance presented in your financial statements and the measurements in your allocation schedules, we'll evaluate the relative levels of inherent risk and control risk, as well as assess the risk of material misstatement resulting from fraud. Our customized audit design will reflect this assessment.

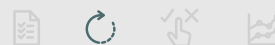
Determining an Audit Approach

After evaluating levels of materiality and performing an initial risk assessment, we'll tailor our audit programs for the fieldwork to obtain evidence from a combination of tests of controls, analytical procedures, or substantive tests of details of transactions and ending balances.

Tests of controls. We'll gain an understanding of OCERS' internal control environment and control activities specific to each of the significant transaction cycles and perform tests of the operating effectiveness of internal controls. Sample sizes vary depending upon the reliability and nature of the controls selected for testing and the frequency that the control activity occurs.

Analytical procedures. Analytical procedures will be used to understand and test financial statement relationships or balances for certain accounts. We'll evaluate financial information through analysis of plausible relationships using both financial and nonfinancial data and development of explicit and independent expectations of financial statement relationships or balances that should exist under the particular circumstances.

Financial Statement Fieldwork



Given the number and breadth of experienced staff located in our Orange County and Southern California offices, we can accommodate just about any desired timing of interim and final fieldwork that meets the desired timing and needs of OCERS. Our preference is to perform interim fieldwork in January, after performing our planning procedures remotely in December, and to perform final fieldwork in late April and early May. We'd begin with an entrance conference with management to revisit the agreed-upon timeline for the audit, discuss specific risk areas identified during planning, and perform the required planning communications with those charged with governance.

Audit Approach for Significant Account Balances and Transactions

Our firm's audit approach to the specific financial statement line items may include, but not be limited, to the following procedures:

Investments and investment earnings. Our approach to auditing investments will be to first gain an understanding of the design and implementation of internal controls over investments. We'll take the key controls identified and review what assertions they cover, what types of investments they address, and whether it's advantageous to test operating effectiveness of the controls. For certain investment types, our approach will be to just assess the design and implementation of the control activities. Based on the results of our control testing, we'll perform substantive audit procedures for investments as follows:

- Send independent confirmations of investment values to custodians and selected investment managers (based on preliminary discussions with your investment managers, our risk assessment, and significance of investment balances)
- Review management's monitoring activities with regard investment options and individual investment funds by reviewing board or committee minutes and monitoring logs maintained for alternative investment fund managers
- Review investment statements provided by custodians and agree reported balances to the Plan's financial statements
- Perform testing of investment earnings and transactions during the year

In addition, we have designated professionals with experience auditing investments, particularly alternative investments. We're aware of the challenges you face in valuing alternatives, and we're aware of the challenges we face as auditors of an entity with alternative investments.

We've developed an effective approach to auditing investments based on the guidance of the AICPA Technical Practice Aid for Alternative Investments and our firm's experience auditing investment funds and limited partnerships.

Alternative investments. We'll focus our audit approach on several areas of risk associated with investments in alternative investment vehicles, including the existence of your investment in the alternative investment vehicle, the existence and valuation of the investment portfolio held by that investment vehicle, and the valuation of the alternative investment vehicle within your financial statements. During the planning phase, we meet with the appropriate investment personnel at OCERS to identify and review the organization's investment portfolio. By reviewing the investment portfolio in advance, we can identify which investments are alternative investments. During this time, we also document internal controls over investments and perform a risk assessment for both alternative investments and marketable investments. Based on this documentation, we determine which internal controls to test and the substantive procedures to be performed at final fieldwork.

Following our meetings with investment personnel at OCERS, we'll discuss the preparation of investment confirmations and consideration of timing lags in the availability of fair value measurements from certain fund managers. We'll coordinate the preparation of confirmations with management and sent electronic confirmations following year-end. During interim fieldwork, we test internal controls over investments, including key controls over the investment policy, authorization of investments, consideration of conflicts of interest, and monitoring of alternative investments. These are typically among the highest risk areas with most PERS. We also discuss with management the prepared by client schedules and documents needed to perform substantive testing during final fieldwork. We'll be proactive in determining the work to be performed by OCERS to document that the valuation determination will be sufficient for our audit.

Adequate support for the determination of the fair value of alternative investments can include the following:

- Sufficient understanding of the nature of the underlying investments
- Portfolio strategy of the alternative investments
- Methods and significant assumptions used by the fund manager to value the underlying investments

In the absence of a detailed list of the underlying investments for an alternative investment as of your fiscal year-end, management may be able to provide adequate support for the valuation of alternative investments through the following:

- Documentation of periodic interview with fund management
- Reconciliation to audited financial statements
- Retrospective review of the investment's annual audited financial statements
- Review of the investment's transactions at or near the date of the statement of fiduciary net position
- Review of SOC 1 report

During final fieldwork, we'll test management's documentation of the valuation of investments and test existence of investments. To test existence of marketable investments, we check the investment balance and use Moss Adams Advisory Services (MAAS) and subscriptions to an independent valuation service (Bloomberg) to verify the per-share price with a third-party source for a sample of investments. The tests for alternative investments vary from investment to investment based on the information available and nature of the investment. By planning early, we can efficiently audit the investments during final fieldwork. It's extremely important to note that management is responsible for obtaining and supplying all the information described above.

We'll send investment confirmations to selected fund managers electronically in early January. We'll establish regular communication with OCERS' accounting and investment staff through a secure portal to communicate receipt of investment confirmations and updated valuations received from your fund managers. During late February, we'll meet with OCERS' investment management to consider fair value variances due to lag reporting in received alternative investment confirmations, as well as the results of other performed audit procedures. Management may then make an estimated adjustment to remaining unconfirmed investments based on known trends and market conditions, with consideration of any cash purchases or sales of the investment during the period since the last known reporting date. This will allow management to adjust the final estimated fair value of investments and facilitate the closing of OCERS' accounts at the end of February or a date prior to receipt of all confirmations. This estimated value can be confirmed to be within accepted materiality range for the audited statements and facilitate completion of the actuarial measurement and initial drafting of the financial statements. Immaterial variances from the estimated fair value measurements that later become known can be adjusted in the following year. This method permits earlier closing of your books and is an acceptable practice among our other PERS clients.

Contributions. We'll perform audit procedures to test that amounts received or due to OCERS from the County and members have been appropriately calculated, recorded, and disclosed in the proper period. Tests of controls for contributions include selecting a representative sample of members and County contributions received and performing recalculations of contributions based on OCERS required contribution rates. Substantive audit procedures for contributions include obtaining subsidiary ledgers for contributions and reconciling to the general ledger, performing substantive analytic procedures and measuring contribution amounts to independent expectations, and confirming County contributions.

Actuarial valuation and assumptions. Our consideration of the actuarial valuations and measurement of the collective total pension liability and total OPEB liability begins with evaluating the professional qualifications of the actuary, including their competence, capabilities, and objectivity as required by generally accepted auditing standards. We've worked extensively with Segal & Co. on numerous mutual governmental, corporate, and pension clients and are familiar with their professional reputation and experience. We obtain the actuarial valuation reports used in measure the total pension liability, as well as the assumptions used, and measurements made of OCERS pension amounts to be allocated to employers. We evaluate the assumptions used by the actuary, including cost method, mortality tables used, valuation date and measurement period, long-term rate of return on investments, discount rate, and other key assumptions to the requirements of GASB Nos. 67 and 68.

Benefit payments. Our approach to auditing benefit payments begins with assessing reliance on internal controls, based on the results of our tests of controls, to help ensure that benefit payments have been calculated and paid in accordance with PERS provisions and member authorizations and elections. We perform substantive analytical procedures and compare benefit payments for significant benefit and withdrawal accounts to expectations based on historical trends and current-year activity. During final fieldwork, auditing procedures include using directed and statistical sampling of new annuitants from the schedule of benefit payments and determining eligibility, recalculating benefit payments, evaluating whether calculations and payments were authorized, and agreeing the member data for proper classification in the retired category by the actuary. In addition, we perform directed sampling of other withdrawals including death benefits, QDROs, lump sum distributions, and other qualified payments to members and perform testing to authorizing documents and qualified amounts. We'll include a member of our Orange County health care consulting group to assist with testing of claims and premiums paid in the health care plan.

Exit conference. At the conclusion of financial statement audit fieldwork, we'll attend an exit conference with OCERS management to review the final audit report, management letter, and any compliance reports. We'll share findings and recommendations from each report with the Board of Retirement, as requested.

Employer Allocation Audit

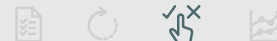
Actuarial measurement and allocations. Our testing of the schedules of employer allocations and pension amounts by employer begins with obtaining the actuarial measurement reports and the allocation schedules drafted by Segal & Co. and OCERS. We'll coordinate initial audit procedures, including testing of census data, with our financial statement fieldwork to maintain efficiency in our audit approach and avoid duplication. Our consideration of internal controls includes evaluating procedures for receiving contributions and employer data used in the employer allocations and for the actuary's valuation of future contributions used as the allocation method. We evaluate the assumptions used by the actuary for allocating the net pension liability and other pension amounts (GASB No. 68).

Census data. We'll coordinate and leverage OCERS internal testing of the accuracy of participant census data with a re-performance of a sample of individual census data, plan eligibility, and eligible compensation determinations. We'll coordinate testing efforts with procedures performed internally and establish a mutually agreed-upon timeline for census data testing, sample sizes, and sample selection based on the multiple-employer sampling methodology recommended in the AICPA Audit and Accounting Guide for State and Local Governments Chapter 13.

Our testing of census data will cover the ability of the County to provide accurate information to OCERS that forms the basis for participant future contributions. These procedures will include identifying applicable payroll registers and payroll cycles, obtaining a population of payroll transmissions remitted to OCERS during the measurement period, and accessing database information of current employees that can be sorted by hire dates to stratify the population and emphasize testing of newly eligible employees and status changes reported during the measurement period.

Exit conference. At the conclusion of employer allocation audit fieldwork for the pension employer allocation schedules, we'll attend an exit conference with OCERS management to review the final audit reports on the allocation schedules and the related management letter.

Finalizing the Audits

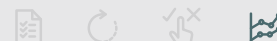


Our procedures will include testing of subsequent events, updates to investment testing for confirmation received with 90-day timing lags on year-end valuations (with consideration of estimates made by management), related party transactions, and disclosures related to risks and uncertainties. We'll review minutes of meetings of the Board of Retirement, and we'll consider procedures in place to identify illegal acts.

Throughout the course of the audit, we'll keep in close communication with the Plan's management through weekly status meetings to discuss engagement status, open items, and any preliminary findings as they arise to allow ample time for management to research and respond. Upon completion of our audit, we'll prepare our reports and management letter, and discuss them with management prior to their issuance. Drafts of any recommendations or control deficiencies, if any, will be provided to management in real time during the audit process to allow time to research and respond prior to presentation of the final drafts. Meeting OCERS' specific reporting deadlines is extremely important and a priority in our audit timeline and approach.

Audit findings. We'll use a tiered approach that assesses the significance of the observed error, lack of effective control mechanism, or instance of noncompliance. We'll use an assessment that includes the materiality of the issue to each major program and a risk analysis of the pervasiveness of the issue. We'll identify and report in writing only those major items that put the plan at risk or constitute significant noncompliance.

Post-fieldwork and Reporting



We don't like surprises, and neither do you. That's why we hold an exit meeting with management at the end of interim and final fieldwork to discuss any findings, open items, or other issues. This allows management to check that our findings are accurate and keeps you informed of any potential issues with adequate time to research and respond. After we've determined the points are valid, we'll provide draft reports to review prior to final issuance. We also invite members of the Board of Retirement and your audit committee to sit in during our exits with management to keep apprised of possible issues.






We'll present the financial statements and the communication letters, at your direction, to the Board of Retirement at the conclusion of our audit. Our goal in presenting the audit to you is to communicate information we gain in the audit process that may not be evident by simply reading the financial statements. We consider operational issues, discuss our observations, and communicate important issues during the presentation.

Report Delivery

Our firm policy is to deliver the audit reports and finalize our working papers as soon as possible after the completion of fieldwork. We commit to meeting all applicable deadlines for your audit, assuming we're provided all necessary information and data (i.e., client-prepared schedules and completed financial statements) in a complete and timely manner, and as long as no unexpected events beyond our control occur (i.e., material weaknesses in internal control or illegal acts noted during the audit).

LEVEL OF STAFF AND NUMBER OF HOURS TO BE ASSIGNED

Below is a breakdown of the number of hours to be assigned by level of staff.

Phase	Partners	Senior Managers	Seniors & Staff	Total
 Planning	8	30	90	128
 Financial statement fieldwork	12	80	270	362
 Allocation audit fieldwork	6	30	60	96
 Finalizing the audits	16	20	80	116
 Post-fieldwork and reporting	8	10	20	38
Total	50	170	520	740

TYPE AND EXTENT OF SAMPLING TECHNIQUES TO BE UTILIZED

We'll apply substantive tests of details to examine certain transactions or accounts. Examples include confirmation of investments, reading of contracts and minutes, and examination of an entire transaction or account balance. For certain balances, we'll use directed testing to focus on risk rather than audit sampling. Substantive audit sampling will be used for larger or accounts with similar balances. Our sample sizes vary depending upon the desired level of assurance, the size of the account balance, expected misstatements, number of individually significant items in a sample population, and the assessment of tolerable misstatement for a particular account balance. Where possible, we'll use audit software to determine sample sizes and use a statistically based sampling approach that isn't biased and is representative of the account population.

APPROACH TO AUDITING IT SYSTEMS

Moss Adams has a core group of technology professionals with technical and accounting backgrounds to serve our clients. Specifically, our collective technology team members hold credentials that include Certified Information Systems Auditor (CISA), Certified Information Security Manager (CISM), Certified Information System Security Professional (CISSP), Certified Information Technology Professional (CITP), and Certified in Risk and Information Systems Control (CRISC). These IT auditors work with many higher education and government agencies.

Our IT audit methodology, as discussed below, is based on AICPA guidelines, the internal control framework prescribed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the best practices for technology controls as defined by Control Objectives for Information and Related Technologies (COBIT).

Feature	Process
System Evaluation	We evaluate both the general technology controls and specific application controls that are in effect. This approach requires our IT auditors to consider how the accounting systems, infrastructure, processes, and people work individually and together to make sure financial records are appropriately processed and reported.
Use of IT Auditors	Our financial auditors work with our IT auditors to assess how relevant systems and technology environment components are administered and supported. They also work with your accounting staff to evaluate how financial data is processed and system controls are maintained to enforce segregation of duties and access control.
Combining Efforts	By combining both traditional financial auditors and IT auditors, we're able to gain overall audit efficiencies by having a better understanding of the control environment. We can then design a more effective testing approach, automate key testing procedures, and focus on areas that present the greatest risk to your financial statements.

ENGAGEMENT TIMELINE

The following is a proposed first-year engagement schedule for OCERS. We'll discuss any adjustments you may need when we meet with you.

Service Description	Proposed Timing
AUDITOR TRANSITION	
Schedule to meet with your prior auditor to review their working papers	Upon Award
AUDIT PLANNING (PERFORMED REMOTELY)	
Meet with management for pre-audit planning and to obtain an understanding of systems, internal controls, and current-year issues; hold conference call with actuaries and investment custodian to coordinate timeline for key deliverables	December 2021
Provide management with a detailed list of items needed to perform the audit, including the timing of when items are needed; provide listing of confirmations to be prepared along with templates	December 2021
AUDIT FIELDWORK	
Send confirmations of cash, investment, and other accounts as deemed necessary	January 2022
Perform interim audit fieldwork in OCERS' office; if the COVID-19 pandemic restrictions continue, we're able to perform this interim work remotely and are successfully starting audits currently, even with new clients (one week)	January/February 2022
If not already provided by management, we'll review preliminary financial statement balances, including estimates of investment fair value adjustments, and provide to actuary for preliminary preparation of GASB 67 measurements	February 2022

Service Description	Proposed Timing
OCERS' fiscal management staff submits financial statements and backup documentation in an "audit preparation kit" to auditor; audit final fieldwork begins	April 2022
Performance of final audit fieldwork, including tests of financial statements balances and account details and census data used in employer allocations	Late April–Early May 2022
Exit conference	May 2022
REPORT PREPARATION	
Present comments on draft of financial statements and draft audit report to OCERS management	Before May 16, 2022
BOARD COMMUNICATIONS AND FINAL REPORTING	
Present final audit report, financial statements, and management letter to the Board of Retirement	Before May 31, 2022
Signed audit reports with audited financial statements and schedule of employer allocations due to OCERS	Before May 31, 2022

Anticipated Potential Audit Problems

At this time, we don't anticipate any audit problems. If problems arise, we'll communicate immediately with management and the financial oversight committee to determine the required course of action to solve the problem in a timely manner. One of our audit strategies is auditing the riskier audit areas at the beginning of the audit to identify issues as early as possible.

Based on previous experience with similar audits, there may be potential problems relating to accounting consistency, record availability, other accounting audit trail difficulties, as well as resource issues. The following are a few examples:

Problem 1

Delays in obtaining prepared by client (PBC) lists, in locating source documentation, or providing adequate assistance due to personnel shortages.

Solution 1

We train our personnel to always be polite and flexible in working with client personnel and to keep our management team apprised of any difficulties encountered that could potentially delay a project. Once we identify the need for additional assistance, we contact and work with the audit coordinator. Despite some delays, we've built flexibility into our schedule, and have the ability to add personnel to complete the audit on time.

Problem 2

Project personnel needs fluctuate from low to high levels with little notice because of unforeseen project delays. For example, the audit identifies a control weakness that requires additional research and documentation.

Solution 2

We have experience where an audit area is delayed or postponed until additional support can be obtained. In these instances, we may shift work to other audit steps that were scheduled for a later date or reduce staffing levels temporarily, and then increase staffing when additional documentation is provided. To make sure we provide quality work for each major audit area, we'll assign a core management team (managers, seniors, and staff, as appropriate) to supervise, train, and provide timely review.

We understand problems may arise or project needs may change. We believe our audit approach, hands-on management team, internal quality control review procedures, and budget and milestone monitoring procedures allow us to properly plan and manage resources throughout each engagement to make sure the most efficient means of contract execution are applied.

Problem 3

Implementation of new standards.

Solution 3

The new lease and fiduciary activities accounting standards will likely have an impact on OCERS. And, the GASB is preparing to issue a new standard on financial reporting that will significantly impact most governmental reporters. We'll provide accounting change implementation services as well as access to industry-specific live and archived webcasts to facilitate a better understanding of the potential impacts and challenges OCERS may face with the implementation of these standards.

As new standards are issued, we typically summarize their purpose and implementation timing in communications that go out throughout the year (i.e., published articles or webinars). Many of our clients prefer us to present an accounting update to those charged with governance during either entrance or exit communications, or both. Prior to any presentation to those charged with governance, we take an in-depth look with management to discuss each new standard's potential impact and help them strategize on best timing for implementation.

We'll be there to provide insight on new accounting requirements as they emerge as well as implementation suggestions and actively follow up on any further developments. It's our priority to keep you informed about changes in the financial landscape and our knowledgeable professionals have written several guides to help our clients implement these historic changes.

Sample Formats for Required Reports

Below are the links to reports we've issued for clients similar to OCERS.

[Los Angeles City Employees' Retirement System Financial Statement \(ACFR\) Report for FY2020](#)

[New Mexico Educational Retirement Board ACFR Report](#)

[New Mexico Educational Retirement GASB No. 68 Allocation Report](#)

Conflict of Interest

Moss Adams has always worked to embody the highest ethical standards, and we demonstrate our commitment to such standards daily. As an independent certified public accounting firm properly licensed for public practice, Moss Adams is required to meet the independence standards as defined by Generally Accepted Auditing Standards, the AICPA Code of Professional Conduct, and the US Government Accountability Office.

Prior to accepting a client relationship with your organization, we'll conclude our initial review of independence. This review will include an inquiry throughout the firm to make sure there aren't any identified circumstances that might impair our independence. To make sure we maintain our independence of your organization, we'll formally reassess our independence throughout the engagement and every year.

Additionally, each partner and client service professional, including associates (technicians) and interns, is required upon initial employment, and annually, to acknowledge his or her independence with respect to our clients. The independence compliance representation is focused on the independence of the individual and is designed to result in personal representations about matters that may impair independence. In this way, we routinely monitor our firm's independence from our attest clients.

We welcome any questions you may have regarding our review of independence.

Litigation and Disciplinary Action

As with any large firm, Moss Adams is occasionally involved in addressing legal and regulatory issues. However, no action, suit, proceeding, inquiry, or investigation before or by any court or federal, state, municipal, or other government authority is pending, or to our knowledge is threatened against Moss Adams, related to or which would have a material effect upon the services contemplated herein.

Additional Information

OUR COMMITMENT TO BEING A DIVERSE, INCLUSIVE, AND ANTI-RACIST FIRM

At Moss Adams, we know that taking a stand as an anti-racist firm is essential to growing a sustainable firm that better reflects the communities we represent and the clients we serve. By focusing our efforts, we strive towards creating a safe environment for all our employees—one that fosters innovation by being inclusive of distinct perspectives and experiences.

Now more than ever, we're focused on a growing and maintaining a diverse, equitable, and inclusive culture both inside and outside the firm. We've made it part of our firm wide strategic plan, which includes dedicating ourselves to improving workforce diversity, and working towards systemic change as it relates to our profession.

 **AWARENESS:** What we know

 **ACTION:** What we do

 **ACCOUNTABILITY:** What we deliver

To help the firm stay accountable for our goals and drive strategy forward, we've formed the Inclusion & Diversity (I&D) Advisory Board. This board is made up of senior-level Moss Adams professionals dedicated to supporting the impact our BRGs are making in the regions. Together with firm leadership and our executive committee, they've developed a firm wide framework to help put our goals into action. This framework consists of three key components: Awareness—assessing our firmwide I&D progress and understanding the experiences of our underrepresented professionals; Action—

understanding and completing the necessary steps we need to take to foster a more diverse, inclusive, and anti-racist firm; and Accountability—evaluating our efforts to verify we're modeling our values and anti-racist behavior at all levels.

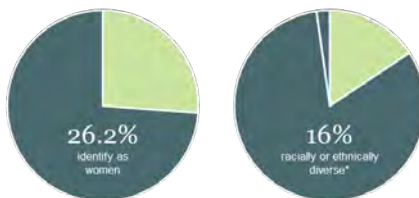
On the following pages, we've detailed what we're doing to build out these key components.

AWARENESS

FIRMWIDE DIVERSITY



PARTNER-LEVEL DIVERSITY



*Smaller segments on charts indicate professionals who chose not to disclose racial or ethnic background.

Our awareness objective includes evaluating the firm’s I&D progress and seeking to understand the experience of our Black, Indigenous, and people of color (BIPOC), as well as that of our underrepresented employees as a whole.

To improve on awareness, we made engaging our people a priority in 2020. The steps we took to increase our awareness included providing education for our firm by embedding I&D topics into all milestone programs in our firm’s online learning portal, Moss Adams University. Additionally, during the COVID-19 pandemic and after the death of George Floyd, our regions and BRGs hosted forums for employees to discuss issues they face such as systemic racism, racial equity, inclusion, unconscious biases, and balancing the demands of parenting during a pandemic.

Moss Adams by the Numbers

We want our workforce to reflect the communities in which we work and the clients we serve. After all, bringing together professionals with different backgrounds and experiences fosters inclusion in addition to innovation in our work approach. To hold ourselves accountable for achieving a goal of being more diverse, we must first be aware of our progress so far. Overall, our racial or ethnic diversity didn’t significantly change in 2020 compared to 2019, but we’re taking steps to improve our diversity at both firm wide and partnership levels.

Feedback from Our People

Throughout 2020, we conducted pulse surveys to check in on the well-being of our people and how they felt about our I&D efforts. We compared findings against the national external benchmark performed by Glint, which includes the results of a broader set of companies to better contextualize our results and identify opportunities for improvement. Moss Adams scored above the external benchmark in the categories of equal opportunity, inclusion, and belonging.

ACTION

We used what we learned from 2020 to strategically plan how we'll accelerate our I&D activities and build out our five-year I&D road map. We know that the actions we take will need to grow and evolve over time to reach our goals, but it must start somewhere. For our first step, we chose five bold actions for 2021:



Attracting Diverse Talent

One contributing factor in building a diverse workforce is cultivating the next generation now. We've taken steps to invest in the future of diversity in accounting by strengthening the pipeline of diverse talent. These efforts include the following:

Partnership with Junior Achievement

In 2020, we donated \$25,000 to support translating one not-for-profit's middle school offerings into the Spanish language to increase access to financial literacy education.

Ignite Scholarships

We award this scholarship to 15 college freshmen and sophomores from diverse backgrounds who are pursuing a bachelor's degree in accounting or a related field each year. This year, we expanded our program to include funding five additional scholarships earmarked for students attending Historically Black Colleges and Universities (HBCUs).

Liftoff Recruitment Webinar

Our recruitment team shares an annual webinar for underrepresented college freshman and sophomores highlighting the benefits and opportunities available with a career in public accounting. The goal of this webinar is to not only provide information on the profession, but also educate the students on how to navigate the recruitment and hiring process.

Guide Pilot Steer (GPS) Internship

This precursor to our traditional accounting and consulting internship is designed to provide an inside look at the firm's operational functions with the hopes of converting participants to full-time hires. It's available to freshman, sophomores, or juniors pursuing a bachelor's degree program.

PhD Project

The PhD Project exists to increase workplace diversity by increasing the diversity of business school faculty who encourage, mentor, support, and enhance the preparation of tomorrow's leaders. The goal is to produce a significantly larger talent pipeline of BIPOCs for business leadership positions. We've pledged a \$75,000 donation over three years to the PhD Project and have representation on its board of directors.

Diversity-Focused, National Recruiting Conventions

We virtually attended national recruiting conventions focused on workforce diversity including the National Association of Black Accountants (NABA) Student Conference, Association of Latino Professionals for America (ALPFA) Student Symposium, and the Service Academy Career Conference (SACC).

Developing Talent

We want the employees at our firm to feel like they have an opportunity to learn, grow, and be included throughout every step of their career at Moss Adams. One of the biggest steps we've taken to give our underrepresented staff a safe space to learn and develop is through our BRGs.

Business Resource Groups

BRGs are networks of Moss Adams professionals founded and led at local and regional levels to foster advocacy and create community, camaraderie, and connection while contributing to the firm's business objectives. Members of our BRGs participate in sponsoring and attending corporate and community events, driving recruitment efforts, and designing continuing education to empower and develop our people. Currently, our BRGs include Asian, Black, Disability, Forum W (women), LatinX, PRiDE (LGBTQ+ and allies), Racial Equity, and Veterans groups. Some of the highlights from our BRGs include the following:

- Launching a multipart conversation around race, *Courageous Conversations*, to provide opportunities for our professionals to continue their learning and growth around racial equity and social justice in line with our commitment to being an anti-racist firm
- Sponsoring the NABA conference, driving on-site recruiting and awarding scholarships
- Launching a workshop, *Allies in Action*, created by our PRiDE BRG, where our people learn tactics to show up as better allies to their peers
- Amplifying Pride Month celebrations firm wide through networking events, Pride Parade viewing parties, and allyship workshops
- Sponsoring ALPFA convention, driving on-site recruitment and professional development
- Participating in SACC, the only job fair exclusively for alumni of combined US Services Academies, driving on-site recruitment

Advancing Talent

We understand that we can't create a true diverse workforce without accelerating the advancement of our underrepresented groups as leaders. We've successfully implemented growth initiatives for women, and we're looking forward to adapting these resources to help advance our BIPOC professionals.

Succession Planning Playbook

This playbook provides insight and strategies on increasing the diverse representation in leadership roles and at the partner level. This playbook was originally developed to support women at the highest levels, but we're now in the position to leverage our other BRGs to apply its principles across other underrepresented groups. We're excited to see how it positively impacts our culture in years to come.

Path to Success Series

To help women and other underrepresented groups at Moss Adams build and maintain successful mentoring relationships and build external connections, we created a series of mentoring guides:

- A Guide for Mentors and Protégés
- A Guide to Building and Leveraging Your Network
- Investing in Your Career by Helping Others

GroWth Series

In the past year, we welcomed 14 women to our fifth cohort of the GroWth series, a year-long leadership program targeting high-potential, women senior managers. Three of our newest partners are GroWth graduates. To date, five graduates of the GroWth Series have become partners.

Retaining Talent

Retaining diverse talent is equally important to attracting diverse talent. To retain talent at our firm, we're increasing our investment in our BRGs and enhancing our benefits offerings to stay ahead of the competition. In 2020, BRGs created firm wide resources and events to deepen awareness around the issues facing underrepresented communities, drive communication, and educate our people.

Another way we offer our employees benefits that support a diverse workforce including transgender surgery benefits, gender-neutral parental leave, and a Maven Maternity program to support new parents and return-to-work challenges.

Retention Metrics

In 2020, we reduced our turnover percentage in all self-identified underrepresented communities compared to 2019. Here's where we've improved at a glance:

- Women professionals: 1.9% improvement
- Hispanic or Latinx: 6% improvement
- American Indian / Alaskan Native: 11.5% improvement
- Black or African American: 18.1% improvement

The Impact of the Fight for Racial Justice

The 2020 deaths of George Floyd, Breonna Taylor, Ahmaud Arbery, and others deeply affected the world, and our firm responded. Our I&D efforts shifted to more precisely focus on being an anti-racist firm.

In the aftermath of the 2020 assaults on Black lives, the Black BRG provided education opportunities with internal resources to increase awareness and drive individual anti-racism work for everyone across the firm.

EMBRACING EQUITY AND JUSTICE FOR BLACK AMERICANS CAMPAIGN

As a firm, we stood with the Black Lives Matter (BLM) movement to contribute to three Black-led organizations fighting systemic racism in the United States. This campaign was the largest giving campaign to date, and our people gave generously—team members across the firm donated more than \$50,000. When combined with matching from the Moss Adams Foundation, our total contributions exceeded our goal of raising \$100,000.

ORGANIZATION NAME	TEAM MEMBER DONATIONS	TOTAL DONATED (with matching)
NATIONAL URBAN LEAGUE	\$19,425	\$37,485
RACE FORWARD	\$11,305	\$21,235
EQUAL JUSTICE INITIATIVE	\$25,575	\$48,217
TOTAL	\$56,305	\$106,936

ACCOUNTABILITY

The final component of our I&D framework involves evaluating our efforts to verify we’re living our values and modeling anti-racist behavior across the firm. We want to hold ourselves accountable and share that responsibility among partners and staff to strengthen our culture. Some specific steps we’re taking include committing to transparent reporting of our metrics, goals, and progress at regular intervals, and embedding I&D accountability measures at every level of business, from intern to partner.

We’re proud that our efforts to foster a more diverse and inclusive environment have produced positive results, but we understand that there are still improvements to make and will strive to increase those improvements year over year.

For more information on our I&D efforts and diversity statistics, you can view our full 2020 report [here](#).

PEER REVIEW REPORT



Report on the Firm's System of Quality Control

October 8, 2020

To the Partners of Moss Adams LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Moss Adams LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2020. 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 compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, audits of broker-dealers, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a 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.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Moss Adams LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2020, 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*. Moss Adams LLP has received a peer review rating of *pass*.

Cherry Bekaert LLP

Peer Review Report 2020 (Cont.)



National Peer
Review Committee

October 29, 2020

Christopher Schmidt
MOSS ADAMS LLP
999 3RD AVE STE 2800
Seattle, WA 98104-4057

Dear Christopher Schmidt:

It is my pleasure to notify you that on October 29, 2020, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is October 31, 2023. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink that reads "Michael Fawley". The signature is written in a cursive, flowing style.

Michael Fawley
Chair, National PRC
+1.919.402.4502

cc: Samuel Johnson, Erica Forhan

Firm Number: 900010050024

Review Number: 577383

EXCEPTIONS TO THE CONTRACT

Exceptions to the contract are attached on the following pages.

*Assurance, tax, and consulting offered through Moss Adams LLP.
Investment advisory services offered through Moss Adams Wealth Advisors LLC.*

Moss Adams | Proposal for Orange County Employees Retirement System 56

Orange County Employee Retirement System

RFP: Financial Auditor Services

Exceptions/Objections

This Proposal is contingent upon completion of the Moss Adams new client acceptance process, satisfaction of applicable professional standards (including communications with the prior auditors), and execution of a mutually acceptable contract. Additionally, applicable professional standards, which apply to any independent audit firm in the United States, require certain agreements and acknowledgements between an auditor and management of the entity being audited, and we would expect to include such provisions in any services agreement executed between the parties. Moss Adams is providing an example of the applicable provisions in our sample Engagement Letter/PSA included with this proposal.

We have successfully signed professional services agreements with thousands of clients, including numerous public entities, and we commit to working in good faith to successfully negotiate a mutually agreeable agreement for this engagement on a timely basis should we be awarded this work.

With regards to the terms and conditions set forth in the RFP, Moss Adams suggests the following exceptions:

Section No.	Page No.	Term	Proposed Modification	Rationale
RFP §3	3	... <ul style="list-style-type: none"> Professional Liability: \$2M per occurrence, \$3M aggregate OCERS must be listed as an additional insured on the above policies.	... <ul style="list-style-type: none"> Professional Liability: \$2M per claim occurrence, \$3M aggregate OCERS must be listed as an additional insured on <u>Commercial General Liability and Automobile Liability</u> . on the above policies.	Clarifying insurance requirements to comport with existing policies.
RFP§12	9	...Make such investigation as it deems necessary to determine the respondent’s ability to furnish the required services, and the respondent agrees to furnish all such information for this purpose as OCERS may request.	...Make such investigation as it deems necessary to determine the respondent’s ability to furnish the required services, and the respondent agrees to furnish all <u>reasonable requests for</u> such information for this purpose as OCERS may request.	Clarifying extent of information provided.
Exhibit A – §D	12	All working papers and reports must be retained at the auditor’s expense for a minimum of five (5) years, unless the firm is notified by OCERS of the need to extend the retention period. The auditor will be required to make working papers available	All working papers and reports must be retained at the auditor’s expense for a minimum of five (5) years, unless the firm is notified by OCERS of the need to extend the retention period. The auditor will be required to make working papers available to OCERS upon request. In addition, the firm shall respond to the reasonable inquiries of	Addressing access to our working papers (which may be made available to oversight

		to OCERS upon request. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.	successor auditors and allow successor auditors to review documentation working papers relating to <u>fees and expenses for the services matters of continuing accounting significance.</u>	entities) to protect the integrity of the audit.
Exhibit D - §2.1	16	... Contractor represents and warrants to OCERS that it will perform the Services in a professional and workmanlike manner, in accordance with best industry standards and practices used in well-managed operations performing services similar to the Services.	... Contractor represents and warrants to OCERS that it will perform the Services in a professional and workmanlike manner, in accordance with best industry standards and practices used in well-managed operations performing services similar to the Services.	Providing representations in lieu of warrants.
Exhibit D – §2.4.8	19	Contractor shall allow a representative of OCERS during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Contractor shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of four (4) years from the date of final payment under this Agreement.	Contractor shall allow a representative of OCERS <u>upon reasonable notice and</u> during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents <u>relating to the fees and expenses for the services under created pursuant to</u> this Agreement. Contractor shall allow inspection of all work, data, documents, proceedings, and activities related to the <u>fees and expenses for the services under this</u> Agreement for a period of four (4) years from the date of final payment under this Agreement.	Clarifying audits focused on information pertaining to fees and expenses charged by Moss Adams.
Exhibit D - §2.6	19	To the fullest extent permitted by law, Contractor shall immediately indemnify and hold OCERS, the members of the OCERS Board of Retirement (each a “Board member”), and OCERS’ officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage, or injury of any kind, in law or equity, to property or persons, including wrongful death (collectively, “Indemnity Claims”), in any manner arising out of, pertaining to, or incident to any alleged acts, errors, omissions, or negligence of Contractor, its officials, officers, employees, subcontractors, contractors, or agents in connection with the performance of the Services, or this Agreement, including without limitation the payment of all consequential damages, and attorneys’ fees and costs, including expert witness fees. Contractor’s duty to indemnify does not extend to the Indemnity Claims caused by OCERS sole negligence or willful misconduct.	To the fullest extent permitted by law, Contractor shall immediately indemnify and hold OCERS, the members of the OCERS Board of Retirement (each a “Board member”), and OCERS’ officials, officers, employees, volunteers, and agents free and harmless from any and all <u>third party</u> claims, demands, causes of action, costs, expenses, liability, loss, or damage, arising out of or injury damage to real or any kind, in law or equity, to property or <u>bodily injury to persons (including wrongful death)</u> (collectively, “Indemnity Claims”), in any manner to the extent caused by arising out of the negligent, pertaining to, or incident to any alleged acts, errors, or omissions, or negligence of Contractor, its officials, officers, employees, subcontractors, contractors, or agents in connection with the performance of the Services <u>performed under, or</u> this Agreement. including without limitation the payment of all consequential damages, and attorneys’ fees and costs, including expert witness fees. Contractor’s duty to indemnify does not extend to the Indemnity Claims caused by OCERS sole negligence or willful misconduct. <u>In order to seek or receive indemnification hereunder, OCERS shall provide Contractor with prompt written notice of such claim and cooperate with Contractor in handling the claim.</u>	Clarifying indemnity and providing indemnification procedures.

		<p>Contractor shall immediately defend, with legal counsel reasonably agreed to by OCERS and at Contractor's own cost, expense, and risk, any and all claims, suits, actions, or other proceedings of every kind that may be brought or instituted against OCERS or its Board members, officials, officers, employees, volunteers, and agents; excluding, however, such claims, suits, actions, or other proceedings arising from OCERS' sole negligence or willful misconduct. Contractor shall control the defense or settlement of any such action, except that Contractor will not have the right to settle or compromise the claim without the consent of OCERS. Contractor shall pay and satisfy any judgment, award, or decree that may be rendered against OCERS or its Board members, officials, officers, employees, volunteers, and agents as part of any such claim, suit, action, or other proceeding. Contractor shall also reimburse OCERS for the cost of any settlement paid by OCERS or its Board members, officials, officers, employees, agents, or volunteers as part of any such claim, suit, action, or other proceeding. Such reimbursement shall include payment for OCERS' attorneys' fees and costs, including expert witness fees.</p>	<p>Contractor shall immediately defend, with legal counsel reasonably agreed to by OCERS and at Contractor's own cost, expense, and risk, any and all claims, suits, actions, or other proceedings of every kind that may be brought or instituted against OCERS or its Board members, officials, officers, employees, volunteers, and agents; excluding, however, such claims, suits, actions, or other proceedings arising from OCERS' sole negligence or willful misconduct. Contractor shall control the defense or settlement of any such action, <u>in its sole discretion, with counsel of its own choosing.</u>, except that Contractor will not have the right to settle or compromise the claim without the consent of OCERS. Contractor shall pay and satisfy any judgment, award, or decree that may be rendered against OCERS or its Board members, officials, officers, employees, volunteers, and agents as part of any such claim, suit, action, or other proceeding. Contractor shall also reimburse OCERS for the cost of any settlement paid by OCERS or its Board members, officials, officers, employees, agents, or volunteers as part of any such claim, suit, action, or other proceeding. Such reimbursement shall include payment for OCERS' attorneys' fees and costs, including expert witness fees.</p>	
Exhibit D - §2.7.2 (a)	20	<p>Coverage for commercial general liability insurance shall be at least as broad as Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001). Contractor shall maintain limits no less than two million dollars (\$2,000,000) per occurrence, or the full per occurrence limits of the policies available, whichever is greater, for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with general aggregate limit or product-completed operations aggregate limit is used, including but not limited to form CG 2503, either the general aggregate limit shall apply separately to this Agreement or the general</p>	<p>Coverage for commercial general liability insurance shall be at least as broad as Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001). Contractor shall maintain limits no less than two million dollars (\$2,000,000) per occurrence, or the full per in combination with umbrella coverage, occurrence limits of the policies available, whichever is greater, for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with general aggregate limit or product-completed operations aggregate limit is used, including but not limited to form CG 2503, either the general aggregate limit shall apply separately to this Agreement or the general aggregate limit shall be twice the required occurrence limit.</p>	<p>Clarifying insurance requirements to comport with existing policies.</p>

		aggregate limit shall be twice the required occurrence limit.		
Exhibit D - §2.7.2 (b)	21	Automobile Liability. Coverage shall be at least as broad as the latest version of the Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto). Contractor shall maintain limits no less than one million dollars (\$1,000,000)per accident for bodily injury and property damage. The automobile liability policy shall cover all owned, non-owned, and hired automobiles.	Automobile Liability. Coverage shall be at least as broad as the latest version of the Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto). Contractor shall maintain limits no less than one million dollars (\$1,000,000)per accident for bodily injury and property damage. The automobile liability policy shall cover all owned, non-owned, and hired automobiles.	Clarifying insurance requirements to comport with existing policies.
Exhibit D - §2.7.3	21-22	<u>All Coverages.</u> The general liability and automobile liability policy shall include or be endorsed to state that: (1) OCERS, its Board, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to work by or on behalf of the Contractor, including materials, parts, or equipment furnished in connection with such work using as broad a form as CG 20 10 11 85 or the latest versions of both CG 20 10 and CG 20 37; and (2) the insurance coverage shall be primary insurance as respects the OCERS, its directors, officials, officers, employees, agents, and volunteers using as broad a form as CG 20 01 04 13, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor’s scheduled underlying coverage. Any insurance or self-insurance maintained by OCERS, its Boardmembers, officials, officers, employees, agents, and volunteers shall be excess of the Contractor’s insurance and shall not be called upon to contribute with it in any way. (a) The insurance policies required above shall contain or be endorsed to contain the following specific provisions: (i) The policies shall contain a waiver of transfer rights of recovery (“waiver of subrogation”) against OCERS, its Board members, officers, employees, agents, and volunteers, for any claims arising out of the work of Contractor. (ii) Policies may provide coverage	<u>All Coverages.</u> The commercial general liability and automobile liability policy shall include or be endorsed (<u>blanket endorsement acceptable</u>) to state that: (1) OCERS, its Board, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to work by or on behalf of the Contractor, including materials, parts, or equipment furnished in connection with such work using as broad a form as CG 20 10 11 85 or the latest versions of both CG 20 10 and CG 20 37; and (2) the insurance coverage shall be primary insurance as respects the OCERS, its directors, officials, officers, employees, agents, and volunteers using as broad a form as CG 20 01 04 13, or if excess, shall stand in an unbroken chain of coverage excess of the Contractor’s scheduled underlying coverage. Any insurance or self-insurance maintained by OCERS, its Boardmembers, officials, officers, employees, agents, and volunteers shall be excess of the Contractor’s insurance and shall not be called upon to contribute with it in any way. (a) The insurance policies required above shall contain or be endorsed to contain the following specific provisions: (i) The policies <u>for commercial general liability and automobile</u> shall contain a waiver of transfer rights of recovery (“waiver of subrogation”) against OCERS, its Board members, officers, employees, agents, and volunteers, for any claims arising out of the work of Contractor. (ii) Policies may provide coverage which contains deductible or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to OCERS under such policies. Contractor shall be solely responsible for deductible and/or self-insured retention and OCERS, at its option, may require Contractor to secure the	Clarifying insurance requirements to comport with existing policies, notification requirements, and waiver of subrogation only available on CGL, auto and worker’s comp.

		<p>which contains deductible or self-insured retentions. Such deductible and/or self-insured retentions shall not be applicable with respect to the coverage provided to OCERS under such policies. Contractor shall be solely responsible for deductible and/or self-insured retention and OCERS, at its option, may require Contractor to secure the payment of such deductible or self-insured retentions by a surety bond or an irrevocable and unconditional letter of credit. The insurance policies that contain deductibles or self-insured retentions in excess of \$25,000 per occurrence shall not be acceptable without the prior approval of OCERS.</p> <p>(iii) Prior to start of work under this Agreement, Contractor shall file with OCERS evidence of insurance as required above from an insurer or insurers certifying to the required coverage. The coverage shall be evidenced on a certificate of insurance signed by an authorized representative of the insurer(s).</p> <p>(iv) Each policy required in this section shall contain a policy cancellation clause that provides the policy shall not be cancelled or otherwise terminated by the insurer or the Contractor or reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to OCERS, Attention: Jim Doezie.</p>	<p>payment of such deductible or self-insured retentions by a surety bond or an irrevocable and unconditional letter of credit. The insurance policies that contain deductibles or self-insured retentions in excess of \$25,000 per occurrence shall not be acceptable without the prior approval of OCERS.</p> <p>(iii) Prior to start of work under this Agreement, Contractor shall file with OCERS evidence of insurance as required above from an insurer or insurers certifying to the required coverage. The coverage shall be evidenced on a certificate of insurance signed by an authorized representative of the insurer(s).</p> <p>(iv) <u>Contractor shall use reasonable efforts to provide</u> Each policy required in this section shall contain a policy cancellation clause that provides the policy shall not be cancelled or otherwise terminated by the insurer or the Contractor or reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to OCERS, Attention: Jim Doezie, <u>of any cancellation in coverage provided, however, that Contractor shall not be obligated to provide such notice if, concurrently with such cancellation, Contractor obtains coverage from another insurer meeting the requirements described herein.</u></p>	
<p>Exhibit D - §2.9.1</p>	<p>23</p>	<p><u>Documents & Data; Licensing of Intellectual Property.</u> This Agreement creates a non-exclusive and perpetual license for OCERS to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Contractor</p>	<p><u>Documents & Data Ownership; Licensing of Intellectual Property.</u> <u>OCERS shall own all final reports and other completed deliverables created under this Agreement and delivered to OCERS, excluding any Consultant Material (defined below) contained or embodied therein ("Deliverables"). However, OCERS may not alter or amend any Deliverables issued under Contractor's name. Contractor may retain a copy of Deliverables for archival purposes. Contractor shall own: (i) its working papers and any engagement documentation; and (ii) any general skills, know-how, expertise, ideas, concepts, methods, techniques, processes, software, materials, or other intellectual property which may have been discovered, created,</u></p>	<p>Clarifying OCERS ownership of final deliverables and Moss Adams' ownership (and retention) of intellectual property, working papers, works in progress, and</p>

		<p>under this Agreement ("Documents & Data"). Contractor shall deliver to OCERS on demand or upon the termination or expiration of this Agreement, all such Documents & Data which shall be and remain the property of the OCERS. If OCERS uses any of the data, reports, and documents furnished or prepared by Contractor for use in Services other than as shown on Exhibit A, Contractor shall be released from responsibility to third parties concerning the use of the data, reports, and documents. Contractor may retain copies of the materials. OCERS may use or reuse the materials prepared by Contractor without additional compensation to Contractor.</p>	<p>received, or developed by Contractor either prior to or as a result of providing services under the Agreement (collectively, "Contractor Materials"). This Agreement creates a non-exclusive and non-transferable perpetual license for OCERS to copy, use, modify, or reuse, or sublicense Contractor Material for its own internal use only and only for the purposes for which they are delivered to the extent they form part of Deliverable. any and all copyrights, designs, and other intellectual property embodied in plans, specifications, studies, drawings, estimates, and other documents or works of authorship fixed in any tangible medium of expression, including but not limited to, physical drawings or data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Contractor under this Agreement ("Documents & Data"). Contractor shall deliver to OCERS on demand or upon the termination or expiration of this Agreement, all such Ddocuments & Ddata provided by OCERS which shall be and remain the property of the OCERS. If OCERS uses any of the data, reports, and documents furnished or prepared by Contractor for use in Services other than as shown on Exhibit A, Contractor shall be released from responsibility to third parties concerning the use of the data, reports, and documents. Contractor may retain copies of the materials. OCERS may use or reuse the materials prepared by Contractor <u>pursuant to this Agreement</u> without additional compensation to Contractor.</p>	<p>general skills and know-how.</p>
Exhibit D - §2.9.2 (g)	24	<p>Confidentiality. ... Upon request by OCERS and upon the termination or expiration of this Agreement for any reason, Contractor shall promptly return to OCERS all copies, whether in written, electronic, or other form or media, of Customer Data in its possession or in the possession of its employees or agents, or securely dispose of all such copies, and certify in writing to OCERS that such Customer Data has been returned to OCERS or disposed of securely.</p>	<p>Confidentiality. ... Upon request by OCERS and upon the termination or expiration of this Agreement for any reason, Contractor shall promptly destroy return to OCERS all copies, whether in written, electronic, or other form or media, of Customer Data in its possession or in the possession of its employees or agents, or securely dispose of all such copies, and certify in writing to OCERS that such Customer Data has been returned to OCERS or disposed of securely.</p>	<p>Clarifying destruction of documents upon request.</p>
NEW			<p><u>IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR OTHERWISE ARISING OUT OF THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT.</u></p>	<p>Providing for mutual limitations of liability.</p>

NEW			<p><u>No Third-Party Beneficiaries</u> <u>OCERS and Contractor are the only parties to this contract and are the only parties entitled to enforce its terms. Nothing in this contract gives, is intended to give, or shall be construed to give or provide any benefit or right, whether directly, indirectly or otherwise, to third persons.</u></p>	<p>Clarifying there are no third party beneficiaries to the contract.</p>