Audit Committee Meeting

Sacramento County Employees' Retirement System

Agenda Item 4

MEETING DATE: **November 18, 2025**

SUBJECT: **Agreed-Upon Procedures Audit Plan**

SUBMITTED FOR: **___ Action** **_X_ Information**

RECOMMENDATION

Discuss the timeline and scope of internal audit plan.

PURPOSE

This item complies with the Strategic Management Plan objectives to promote transparency, fairness, and compliance with laws and regulations, and to promote responsible oversight to ensure accuracy and protect plan assets.

DISCUSSION

SCERS has engaged Eide Bailly LLP to conduct a series of Agreed-Upon Procedures (AUP) audits as part of the organization's risk management and compliance framework. The engagement includes four targeted audits—Employer Reporting (Payroll), Employer Reporting (Member Data), Third-Party Data Privacy, and Contribution Accounting and Reporting—conducted in accordance with AICPA SSAE 19 standards. Eide Bailly will also develop a risk-based internal audit plan for fiscal years 2027–28 and 2028–29 to guide future audit priorities and enhance long-term oversight. With deep expertise in public pension operations and a proven record of delivering high-quality assurance services, Eide Bailly's work will strengthen SCERS's internal controls, promote transparency, and reinforce the Board's fiduciary responsibilities under CERL, PEPRA, and Board policy.

FY 2025-26 Audits

> **Employer Reporting – Payroll:** Evaluates the accuracy and completeness of employer payroll reporting to SCERS, including classification of pensionable earnings, application of pay codes, and documentation of adjustments and leave payouts. The review will test internal controls over payroll preparation, submission timeliness, and segregation of duties.

Employer Reporting – Member Data: Assesses the integrity and timeliness of member demographic and employment data reported by participating employers. Testing will confirm correct tier assignment, eligibility, and service credit reporting, as well as data accuracy supporting actuarial valuations and compliance with CERL and PEPRA requirements.

FY 2026-27 Audits

Third-Party Data Privacy: Examines SCERS's oversight of vendors and County departments that handle member personally identifiable information (PII). The review will verify contractual protections, privacy clauses, monitoring of vendor controls, incident-response preparedness, and alignment with SCERS's data-protection policies and applicable security standards.

Contribution Accounting and Reporting: Tests the completeness, accuracy, and timeliness of employer contribution reporting and reconciliation. Procedures include validating rate application against Board-approved schedules, confirming inclusion of all eligible members and payroll periods, and assessing reconciliation and documentation controls.

Entity-Wide Risk Assessment and Two-Year Audit Plan

As part of the engagement, Eide Bailly will refresh SCERS's audit universe and develop a comprehensive, risk-based internal audit plan for fiscal years 2027-28 and 2028-29. This effort will involve collaboration with the audit committee and executive management to evaluate emerging fiduciary, operational, and compliance risks, ensuring that audit resources are directed toward the areas of greatest impact. The resulting plan will present a prioritized, multi-year audit schedule designed to strengthen oversight, enhance accountability, and support informed decision-making across the organization.

Next Steps

Eide Bailly will coordinate with SCERS staff to finalize engagement timelines, data-request protocols, and communication standards. Following the Audit Committee meeting, staff will direct Eide Bailey to commence the FY 2025-26 AUP audits, with results and recommendations to be presented upon completion of each engagement.

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