

Texas Municipal Retirement System

Review and Discussion of the 2020 Plan for External Financial Statement and System and Organization Controls Audits

March 25, 2021

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Engagement Principal

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

Agenda

- Engagement Team and Scope
- Required Governance Communications
- Work Plan – System and Organization Controls (SOC) Audit
- Work Plan – Financial Statement Audit
- Board of Trustees' Discussion

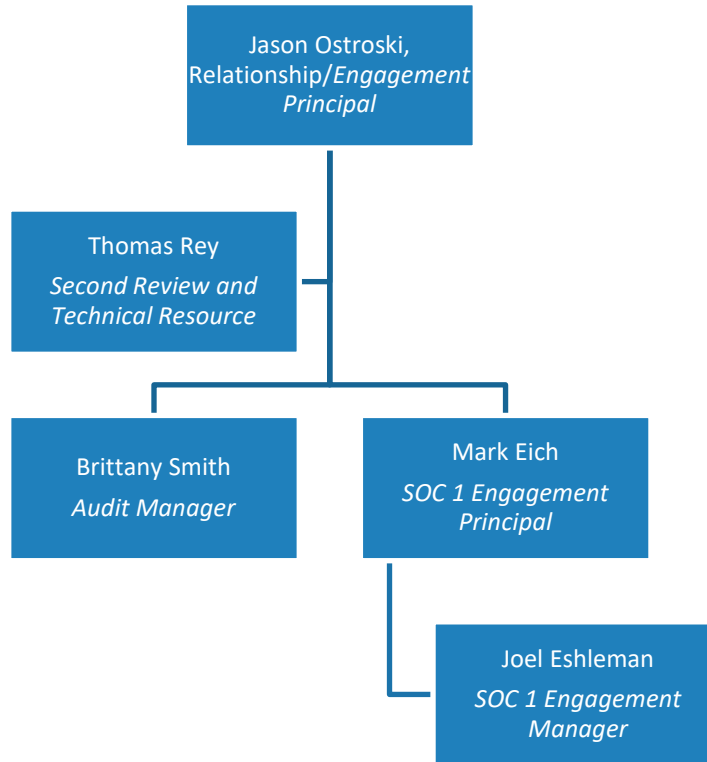


Engagement Team and Scope

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2020 Engagement Team



2020 Engagement Scope

- Audit of TMRS' financial statements as of December 31, 2020
- Audit of TMRS' Schedule of Changes in Fiduciary Net Position by Participating Municipality (GASB 68 schedule) as of December 31, 2020
- Audit of TMRS' Pension Management System for the period May 1, 2020 to April 30, 2021
- Written Communications with the Board





Required Governance Communications

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Required Governing Body Communications

- Auditor's Responsibilities - Opinion
 - Responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with generally accepted accounting principles in the United States of America.



Required Governing Body Communications

- Auditor's Responsibilities - Standards
 - Responsible for performing the audit in accordance with generally accepted auditing standards. The audit is designed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement.



Required Governing Body Communications

- Auditor's Responsibilities – Internal Control
 - In planning and performing our audit, we will consider internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting.



Required Governing Body Communications

- Management Responsibilities
 - Preparation and fair presentation of the financial statements and GASB 68 schedule.
 - The design, implementation and maintenance of internal controls relevant to the fair presentation of the financial statements and GASB 68 schedule.



Work Plan – System and Organization Controls (SOC) Audit

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Audit Standards and Approach

- Audit to be conducted in accordance with Statement of Standards for Attestation Engagements (SSAE) 18 by the AICPA
- Phased Approach – Planning, Interim Control Testing, Final Control Testing and Reporting



SOC Audit Timeline

Key Milestones	Dates
Planning	Completed in November 2020
Interim Control Testing	Completed in November/December 2020
Final Control Testing	April 2021
Issue SOC Report	May 2021



Control Objectives - Scope

The SOC 1 Type 2 report will address the suitability of the design and the operating effectiveness of TMRS' controls.

Business Processes

- Census Reports
- Contributions
- Income Allocation
- Fund Balances
- Distributions

General Controls

- System Maintenance
- Application Maintenance
- Logical Access
- Backups
- Physical Access



Work Plan – Financial Statement Audit

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Audit Standards and Approach

- Audit to be conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS)
- Phased Approach – Planning, Internal Control, Substantive Test Work and Reporting

Significant Processes and Audit Areas

- We have identified the following areas as significant processes and audit areas:
 - **Investments and Investment Income**
 - **Contributions/Member Testing**
 - **Benefit Payments**
 - **Financial Statement Process**



Financial Statement & GASB 68 Audit Timeline

Key Milestones	Dates
Planning	February through March 2021
Understanding and Testing of Internal Controls	February through March 2021 <i>(We will also leverage work performed during the SOC audit)</i>
Substantive Procedures & GASB 68 Audit Procedures	April and May 2021
Issue Financial Statement & GASB 68 Audit Reports	June 2021





Board of Trustees' Discussion

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Board of Trustees' Discussion

- Recognizing the importance of two-way communication, we encourage you to contact us with information you consider relevant to the audit. This may include, but is not limited to the following:
 - TMRS' objectives and strategies and the related business risks that may result in material misstatements.
 - Your understanding of risks of fraud and controls in place to prevent and detect fraud.
 - Other matters you believe are relevant to the audit of the financial statements.





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