



## HAYASHI | WAYLAND

December 15, 2020

Dean Carothers, Chairman  
Monterey County Deferred Compensation Plan  
Administrative Committee  
752 LaGuardia  
Salinas, CA 93905

Attention: Mr. Carothers, Chairman

This letter is intended to communicate certain matters related to the planned scope and timing of our audit of the Monterey County Deferred Compensation Plan (the Plan) financial statements as of and for the year ended December 31, 2020.

### **Communication**

Effective two-way communication between our Firm and the Administrative Committee is important to understanding matters related to the audit and in developing a constructive working relationship.

Your insights may assist us in understanding the Monterey County Deferred Compensation Plan and its environment, identifying appropriate sources of audit evidence and providing information about specific transactions or events. We will discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken. We expect that you will timely communicate with us any matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures, your suspicion or detection of fraud, or any concerns you may have about the integrity or competence of senior management.

We will timely communicate to you any fraud involving senior management and other fraud that causes a material misstatement of the financial statements, instances of noncompliance with laws and regulations that come to our attention (unless they are clearly inconsequential), and disagreements with management and other serious difficulties encountered in performing the audit. We will also communicate to you and to management any significant deficiencies or material weaknesses in internal control that become known to us during the course of the audit. Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process will be communicated to you in writing after the audit.



## **Independence**

Our independence policies and procedures are designed to provide reasonable assurance that our Firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example, partners and professional employees of Hayashi Wayland are restricted in their ability to own a direct financial interest or a material indirect financial interest in a client or any affiliates of a client. Also, if an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with Firm policy. In addition, our policies restrict certain non-audit services that may be provided by Hayashi Wayland and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

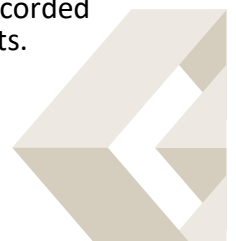
## **The Audit Planning Process**

Our audit approach places a strong emphasis on obtaining an understanding of how your Plan functions. This enables us to identify key audit components and tailor our procedures to the unique aspects of your Plan. The development of a specific audit plan will begin by meeting with you and with management to obtain an understanding of your objectives, strategies, risks and performance related to the Plan.

As part of obtaining an understanding of your Plan and its environment, we will obtain an understanding of internal control to assess the impact of internal control. We will use this understanding to identify risks of material misstatements, which will provide us with a basis for designing and implementing responses to the assessed risks of material misstatement. We will also obtain an understanding of the users of the financial statements in order to establish an overall materiality level for audit purposes. We will conduct formal discussions among engagement team members to consider how and where the Plan's financial statements might be susceptible to material misstatement due to fraud or error.

## **The Concept of Materiality in Planning and Executing the Audit**

We apply the concept of materiality both in planning and performing the audit, evaluating the effect of identified misstatements on the audit, and the effect of uncorrected misstatements, if any, on the financial statements, and in forming the opinion in our report. Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial information needs of users of the financial statements. We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit. We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods. We will accumulate misstatements identified during the audit, other than those that are clearly trivial. At the end of the audit, we will inform you of all individual unrecorded misstatements aggregated by us in connection with our evaluation of our audit test results.



### **Significant Risks of Material Misstatement**

Our audit of the financial statements includes the performance of risk assessment procedures in order to identify risks of material misstatement, whether due to fraud or error. As part of these risk assessment procedures, we determine whether any risks identified are a significant risk. A significant risk is an identified and assessed risk of material misstatement that, in our professional judgment, requires special audit consideration. As part of our risk assessment procedures, we identified management override controls, contributions and benefit payments as significant risks. Additional significant risks may be identified as we perform additional audit procedures.

### **Our Approach to Internal Control Relevant to the Audit**

Our audit of the financial statements will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the Plan's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

### **Timing of the Audit**

We have tentatively scheduled preliminary audit work for the week of May 14<sup>th</sup> with final field work being completed by the week of June 14<sup>th</sup>. This timing is dependent on us receiving the audit package from Nationwide Insurance by May 3<sup>rd</sup>. Management's adherence to its closing schedule and timely completion and submission of information used by us in performance of the audit is essential to timely completion of the audit.

### **Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to the Monterey County Deferred Compensation Plan.

This communication is intended solely for the information and use of the Plan Administrator and management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Hayashi Wayland, LLP*

