



# **Audits & Risk Management Committee**

## **Item Number 2 – Open Session**

**Subject:** Approval of Minutes of the March 7, 2024, Audits and Risk Management Committee – Open Session

**Presenter(s):** Chairperson

**Item Type:** Consent Action

**Date & Time:** May 1, 2024 – 0 minutes

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**Attachment(s):** None

**PowerPoint(s):** None

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### **PROPOSED MINUTES**

**Teachers' Retirement Board –Audits & Risk Management Committee Meeting**

**March 7, 2024**

**OPEN SESSION**

**LOCATION: Board Room, 100 Waterfront Place, West Sacramento, CA 95605**

#### **COMMITTEE MEMBERS PRESENT**

Denise Bradford, Chairperson

Harry Keiley, Vice Chairperson

Deborah Gallegos, representing the State Controller, Malia Cohen

Patrick Henning, representing the State Treasurer, Fiona Ma

Elizabeth Sanders, representing the State Superintendent of Public Instruction, Tony Thurmond

Jennifer Whitaker, representing the Director of Finance, Joe Stephenshaw

#### **OTHER BOARD MEMBERS PRESENT**

Ken Tang

#### **STAFF PRESENT**

Cassandra Lichnock, Chief Executive Officer

Brian J. Bartow, General Counsel

Lisa Blatnick, Chief Operating Officer

Ashish Jain, Chief Technology Officer

Melissa Norcia, Chief Administrative Officer

Teresa Schilling, Chief Public Affairs Officer  
Lamont King, Deputy General Counsel  
Lynn Bashaw, Director, Enterprise Risk Management & Compliance Services  
Phil Burkholder, Assistant Director, Enterprise Risk Management & Compliance Services  
Cheryl Cervantes Dietz, Chief Auditor  
Jeff Isham, Director, Facilities Management  
Reina Minoya, Assistant General Counsel, Litigation Services  
Jennifer Yamane, Assistant General Counsel, Investments  
Diane Stanton, Director, Public Affairs  
Steven Tong, Director, Risk Mitigating Strategies  
Kristel Turko, Director, Human Resources  
April Wilcox, Director, Investment Services  
Jeff Zimmer, Director, Employer Services  
Shakira Clark, Manager, Facilities Operations  
Meagan Hatfield, Manager, Enterprise Risk Management & Compliance Services  
Roseanne Oyoung, Supervising Management Auditor  
Chris Wall, Supervising Management Auditor  
Chris McAllister, Senior Counsel

**OTHER PRESENT**

Dr. Robert Yetman (Audits and Risk Management Committee Financial Expert)  
Jen Aras, Independent Auditor, Crowe LLP  
Kevin Smith, Independent Auditor, Crowe LLP  
Mark Allen, CalRTA  
Jennifer Baker, CalRTA  
Kathy Kinley, CalRTA  
Dana Dillon CTA/NEA-R  
Peter Morse FACCC  
Carmen Esterman  
Melanie Myers  
Marykay Scheid  
Brian Simily  
Kevin Welch

A quorum being present, Chairperson Bradford called the Open Session meeting of the Audits and Risk Management Committee meeting to order at 2:34 p.m.

**I. APPROVAL OF COMMITTEE AGENDA (Item 1)**

**MOTION** duly made by Mr. Henning, seconded by Mr. Keiley, and carried to approve the Committee Agenda.

Members Voting	Aye	Nay	Abstain
Mr. Keiley	X		
Ms. Gallegos, for the State Controller	X		

Mr. Henning, for the State Treasurer	X		
Ms. Sanders, for the Superintendent of Public Instruction	X		
Ms. Whitaker, for the Director of Finance	X		
Chairperson Bradford	X		

**II. APPROVAL OF MINUTES FOR THE NOVEMBER 2, 2023, AUDITS AND RISK MANAGEMENT COMMITTEE MEETING – OPEN SESSION (Item 2)**

**MOTION** duly made by Mr. Henning, seconded by Mr. Keiley, and carried to approve the minutes for the November 2, 2023, Audits and Risk Management Committee Meeting- Open Session.

Members Voting	Aye	Nay	Abstain
Mr. Keiley	X		
Ms. Gallegos, for the State Controller	X		
Mr. Henning, for the State Treasurer	X		
Ms. Sanders, for the Superintendent of Public Instruction	X		
Ms. Whitaker, for the Director of Finance	X		
Chairperson Bradford	X		

**III. FINANCIAL STATEMENT AUDIT CLIENT SERVICE PLAN FOR FY 2023-24 (Item 3)**

The committee received an informational presentation from Mr. Smith and Ms. Aras, who provided an overview of the Financial Statement Audit Client Service Plan for FY 2023-2024. Crowe LLP is engaged to perform two separate audits of CalSTRS’ basic financial statements and other pension information. The committee learned about the goals and objectives of the audits, the audit process, the team conducting the audits, and the audit timeline. The committee engaged in discussion about how best to prepare CalSTRS systems for future audits and the steps Crowe LLP is taking to ensure that auditors do not become less vigilant over time when performing the same audits in consecutive years.

**IV. COMMITTEE EDUCATION: ENTERPRISE RISK MANAGEMENT FRAMEWORK (Item 4)**

The committee received an educational presentation from Ms. Bashaw and Ms. Cervantes Dietz on CalSTRS’ Enterprise Risk Management Framework. The committee learned that CalSTRS’ Enterprise Risk Management Framework is a set of policies, procedures, activities, and tools used to effectively identify, assess, and manage risk. The committee heard that, pursuant to its Enterprise Risk Management Maturity Plan, CalSTRS continues to refine its Enterprise Risk Management Framework to better align with industry guidance and best practices concerning risk management framework principles.

The committee engaged in discussion about how Enterprise Risk Management and Audit Services share information and work cooperatively to identify risks early on and increase efficiency between the two departments.

**V. 2023 AUDIT SERVICES PLAN FINAL PROGRESS REPORT (Item 5)**

The committee received an informational presentation from Ms. Cervantes Dietz, Ms. Oyoung, and Mr. Wall on the Audit Services’ Calendar Year 2023 Audit Plan results. The committee heard that in 2023, CalSTRS performed 115 Employer Audits and reported 243 new audit findings, the majority of which relate to extra duty earnings and special compensation. The committee engaged in discussion about why these areas result in a greater number of audit findings, whether future legislation may reduce the frequency of such findings, and how CalSTRS monitors employers for audit finding resolution.

The committee also heard that CalSTRS performed its annual internal audit and reported 40 new audit findings. The committee engaged in discussion about how CalSTRS continues to refine the audit process to fully align with global internal audit standards.

**VI. REVIEW INFORMATION REQUESTS (Item 6)**

There were no requests for information.

**VII. DRAFT AGENDA FOR NEXT COMMITTEE MEETING (Item 7)**

There were no changes to the draft agenda.

**VIII. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC (Item 8)**

There were no statements from the public.

**IX. ADJOURNMENT**

There being no further business to conduct, Chairperson Bradford adjourned the Audits and Risk Management Committee meeting at 3:31 p.m.

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Cassandra Lichnock, Chief Executive Officer  
And Secretary to the Teachers’ Retirement Board

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Denise Bradford, Chairperson

Prepared by: Chris McAllister, Senior Counsel