



# **Audits & Risk Management Committee**

## **Item Number 2 – Open Session**

**Subject:** Approval of Minutes of the July 7, 2022, Audits and Risk Management Committee – Open Session

**Presenter(s):** Chairperson

**Item Type:** Consent Action

**Date & Time:** November 2, 2022 – 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**

**July 7, 2022**

**OPEN SESSION**

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

#### **COMMITTEE MEMBERS PRESENT**

Betty Yee, State Controller, Chairperson

Denise Bradford, Vice Chairperson

Gayle Miller, representing the Director of Finance, Keely Bosler

Frank Ruffino, representing the State Treasurer, Fiona Ma

Blake Johnson, representing the State Superintendent of Public Instruction, Tony Thurmond

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

Michael Gunning

Ken Tang

Jennifer Urdan

Karen Yamamoto

Lynn Paquin, representing the State Controller, Betty Yee

#### **STAFF PRESENT**

Cassandra Lichnock, Chief Executive Officer

Christopher Ailman, Chief Investment Officer  
Brian J. Bartow, General Counsel  
Lisa Blatnick, Chief Operating Officer  
Ashish Jain, Chief Technology Officer  
Melissa Norcia, Chief Administrative Officer  
Bill Perez, Chief Benefits Officer  
Teresa Schilling, Chief Public Affairs Officer  
Julie Underwood, Chief Financial Officer  
Cheryl Cervantes Dietz, Chief Auditor  
Roseanne Oyoung, Supervising Management Auditor, Internal Audits  
Chris Wall, Supervising Management Auditor, Employer Audits  
Jeff Zimmer, Director, Employer Services  
Trevor Young, Counsel

**OTHERS PRESENT**

Dr. Robert Yetman (Audits and Risk Management Committee Financial Expert)  
Amy McDuffee, Mosaic Governance Advisors, LLC  
Jennifer Baker, CalRTA  
Susan Dixon, CalRTA  
Pat Geyer, CalRTA

A quorum being present, Controller Yee called the Open Session meeting of the Audits and Risk Management Committee meeting to order at 1:31 p.m.

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

The committee removed Item 3 from the consent agenda to provide an opportunity to discuss the report.

The committee approved the amended Committee Agenda by unanimous consent.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Chairperson Yee	X		

**II. APPROVAL OF MINUTES FOR THE MARCH 4, 2022, AUDITS AND RISK MANAGEMENT COMMITTEE MEETING – OPEN SESSION (Item 2)**

The committee approved the minutes for the March 4, 2022, Audits and Risk Management Committee Meeting – Open Session by unanimous consent.

Members Voting	Aye	Nay	Abstain
Ms. Bradford	X		
Ms. Miller, for the Director of Finance	X		
Mr. Ruffino, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Chairperson Yee	X		

### III. **2021 MANAGEMENT LETTER PROGRESS REPORT (Item 3)**

The committee received and considered a report on management’s progress in implementing the recommendations included in the Independent Financial Statement Auditor’s Management Letter, dated October 11, 2021. The committee heard from Ms. Dietz and Mr. Zimmer regarding management’s efforts to improve internal controls over financial reporting related to the completeness and accuracy of member data, including recent progress and plans for future improvements. The committee heard from Dr. Yetman about ongoing improvements in the audit process and his satisfaction with staff’s efforts to address this issue.

### IV. **2022 ENTERPRISE COMPLIANCE SERVICES PLAN MID-YEAR PROGRESS REPORT (Item 4)**

The committee received a report from Ms. Dietz on the 2022 Enterprise Compliance Services Plan regarding compliance initiatives, including the integration of Enterprise Compliance Services into the Financial Services Branch and revisions to the CalSTRS’ Code of Ethics and Business Conduct. The committee discussed the additional information added to the Code of Ethics and Business Conduct and onboarding efforts for CalSTRS’ regulatory tracking subscription. The committee heard from Dr. Yetman about next steps for the Code of Ethics and Business Conduct.

### V. **2022 INTERNAL AUDIT PLAN MID-YEAR PROGRESS REPORT (Item 5)**

The committee received the 2022 Internal Audit Plan Mid-Year Progress Report from Ms. Oyoung and Mr. Wall. The committee welcomed Mr. Wall to CalSTRS and heard about his prior experience, his plans to improve the audit process, and the ongoing progress of employer audits conducted by CalSTRS, including the most common audit findings. The committee discussed the issue of special compensation and heard from staff regarding types of compensation that CalSTRS members may receive from their employers, including one-time payments. The committee heard from Dr. Yetman about the importance of collaborating with employers to resolve issues discovered during audits, the use of full-scope audits to discover types of findings to examine in limited-scope audits, and the importance of balancing the workload of staff. Ms. Oyoung presented on the progress of internal audits, including the findings for the audits of Death & Survivor Benefits and Mail & Receiving and opportunities to improve procedures for these areas. The committee also heard from Ms. Oyoung about specialized audits being performed by external audit firms. The committee discussed the findings related to the Mail & Receiving audit. The committee heard from Dr. Yetman regarding the timeline

for the Investment Services & Investment Accounting audit report and management's responsiveness to resolving findings from internal audits.

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

Pursuant to item 5, the committee requested additional information regarding the different types of compensation CalSTRS members may receive from their employers.

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

The committee discussed adjusting the time allocated to each agenda item but did not make changes to the draft agenda.

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

There were no statements from the public.

**IX. ADJOURNMENT**

There being no further business to conduct, Controller Yee adjourned the Audits and Risk Management Committee meeting at 2:18 p.m.

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

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Betty Yee, State Controller, Chairperson

Prepared by: Trevor Young, Counsel