



# Audits & Risk Management Committee

## Item Number 2 – Open Session

**Subject:** Approval of Minutes of the March 3, 2022, Audits and Risk Management Committee – Open Session

**Presenter(s):** Chairperson

**Item Type:** Consent Action

**Date & Time:** July 7, 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**

**March 3, 2022**

**OPEN SESSION**

**LOCATION: Web Conference**

#### **COMMITTEE MEMBERS PRESENT**

Betty Yee, State Controller, Chairperson

Joy Higa, Vice Chairperson

Karen Yamamoto

Jennifer Whitaker, representing the Director of Finance, Keely Bosler

Sertan Usanmaz, representing the State Treasurer, Fiona Ma

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

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

Denise Bradford

Harry Keiley

Ken Tang

Frank Ruffino, representing the State Treasurer, Fiona Ma

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  
Julie Underwood, Chief Financial Officer  
Scott Chan, Deputy Chief Investment Officer  
Larry Jensen, Chief Auditor  
Lucy Arbuckle, Director, Accounting  
Cheryl Cervantes Dietz, Director, Enterprise Compliance Services  
Shifat Hasan, Director, Investment Performance & Compliance  
Art Martinez, Director, Financial Planning, Accounting & Reporting  
Diane Stanton, Director, External Affairs  
April Wilcox, Director, Investment Services  
Jeff Zimmer, Director, Member Account Services  
Roseanne Oyoung, Supervising Management Auditor, Internal Audits  
Jaismin Kaur, Counsel

**OTHERS PRESENT**

Dr. Robert Yetman (Audits and Risk Management Committee Financial Expert)  
Jen Aras, Independent Auditor, Crowe LLP  
Kevin Smith, Independent Auditor, Crowe LLP  
Kathleen McCreery, ACSA  
Jennifer Baker, CalRTA  
Doug Orr, CFT  
Joe Bartell, CTA  
Phyllis Hall, CTA  
Kevin Welch, CTA  
Dana Dillon, CTA/NEA-Retired  
Orval Garrison, CTA/NEA-Retired  
Scott Cheshier, State Street Bank, Relationship Manager  
Sandy Keaton  
Patricia Parker

A quorum being present, Chairperson Yee called the Open Session meeting of the Audits and Risk Management Committee meeting to order at 2:00 p.m.

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

The committee moved Item 3 from the consent action agenda to the consent information agenda.

**MOTION** duly made by Ms. Yamamoto, seconded by Ms. Higa, and carried to approve the amended Committee Agenda by unanimous consent.

Members Voting	Aye	Nay	Abstain
Ms. Higa	X		
Ms. Yamamoto	X		
Mr. Usanmaz, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Controller Yee	X		

**II. APPROVAL OF MINUTES OF THE NOVEMBER 4, 2021, AUDITS AND RISK MANAGEMENT COMMITTEE MEETING – OPEN SESSION (Item 2)**

**MOTION** duly made by Mr. Johnson, seconded by Ms. Yamamoto, and carried to approve the minutes of the November 4, 2021, Audits and Risk Management Committee Meeting – Open Session by unanimous consent.

Members Voting	Aye	Nay	Abstain
Ms. Higa	X		
Ms. Yamamoto	X		
Mr. Usanmaz, for the State Treasurer	X		
Mr. Johnson, for the Superintendent of Public Instruction	X		
Controller Yee	X		

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

The committee received a status report from Mr. Jensen on management’s progress towards implementing the recommendations included in the Independent Financial Statement Auditor’s Management Letter, dated October 11, 2021.

**IV. FINANCIAL STATEMENT AUDIT CLIENT SERVICE PLAN FOR FY 2021-22 (Item 4)**

The committee received a presentation from Mr. Smith and Ms. Aras on the Client Service Plan for performing an audit of CalSTRS basic financial statements for the current fiscal year ending June 30, 2022. The committee learned about the audit engagement team, scope and deliverables, audit approach, and audit timeline. The committee inquired whether the headquarters expansion project was within the scope of the audit and learned that BenefitConnect would fall into the scope of the annual audits once the transactions in the new pension administration system become financially significant to the financial statements. The committee engaged in a discussion about the independence of each annual audit.

Ms. Whitaker joined the meeting at 2:22 p.m.

**V. 2021 ENTERPRISE COMPLIANCE SERVICES PLAN FINAL PROGRESS REPORT (Item 5)**

The committee received the results of the 2021 Compliance Plan from Ms. Dietz. The committee learned that CalSTRS' compliance program aligns with federal sentencing guidelines on compliance program oversight, compliance promotion and enforcement, response to non-compliance, and hiring/delegation of authority. The committee discussed the Compliance Plan highlights and learned that staff has finalized revisions to the Code of Ethics and Business Conduct and has published an external compliance reporting matrix. The committee received information on CalSTRS' organization-wide training and learned about the new training programs currently in development. The committee discussed the compliance and ethics hotline, and future staffing and resources for Enterprise Compliance Services.

**VI. 2021 INTERNAL AUDIT PLAN FINAL PROGRESS REPORT (Item 6)**

The committee received a presentation from Mr. Jensen and Ms. Oyoung on the Audit Services' Calendar Year 2021 Audit Plan. The committee learned about the results and findings of the employer and internal audits. The committee discussed that internal audits are conducted by CalSTRS staff and contracted audits are conducted by various accounting firms. The committee heard from Dr. Yetman about the results of the headquarters expansion audit. The committee discussed remote audits and learned that audit findings are shared with all audit classes.

**VII. FISCAL YEAR 2022-23 MEETING WORK PLAN (Item 7)**

The committee received the proposed Audits and Risk Management Committee Fiscal Year 2022-23 meeting work plan. The committee learned about the key plan activities for the committee, including committee governance, internal audit oversight, external financial statement audit oversight, compliance reporting and oversight, and financial reporting oversight. The final work plan will be presented at the July 2022 Audits & Risk Management Committee meeting.

**VIII. COMMITTEE EDUCATION: OVERVIEW OF NEW AUDIT STANDARDS AND REPORT REQUIREMENTS (Item 8)**

The committee received a presentation from Ms. Aras and Mr. Smith on recently issued auditing and attestation standards that relate to the performance of an audit of CalSTRS basic financial statements, by an external auditor. The committee learned that the new standards change the auditor's report, the auditor's responsibility relating to other information included in annual reports, and the concept of materiality in financial reporting. The committee considered the new AICPA independence rules that expand the scope of independence to "client affiliates" and provide instructions on how to determine an "affiliate" based on level of control and extent of influence. The committee learned that CalSTRS must review its current investments and monitor future investments to

track “affiliates.” The committee engaged in a discussion about the newly effective accounting standards and the future of auditing.

**IX. REVIEW OF INFORMATION REQUESTS (Item 9)**

There were no requests for information.

**X. DRAFT AGENDA FOR THE NEXT COMMITTEE MEETING (Item 10)**

There were no changes to the draft agenda.

**XI. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC (Item 11)**

There were no statements from the public.

**XII. ADJOURNMENT**

There being no further business to conduct, Chairperson Yee adjourned the Audits and Risk Management Committee meeting at 4:23 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: Jaismin Kaur, Counsel