

APPROVED

MINUTES OF THE REGULAR MEETING OF THE AUDIT COMMITTEE AND

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

8:00 A.M., MONDAY, MAY 9, 2022

This meeting was conducted by teleconference pursuant to the Governor's Executive Order N-29-20.

PRESENT: Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair (Left the meeting at 10:24 a.m.)
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos
(Joined the meeting at 8:02 a.m. and left at 10:21 a.m.)

MEMBERS AT LARGE

Antonio Sanchez, Board of Retirement

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis A. Lugo, Deputy Chief Executive Officer

Laura Guglielmo, Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

STAFF, ADVISORS, PARTICIPANTS (Continued)

Richard P. Bendall, Chief Audit Executive

Leisha E. Collins, Principal Internal Auditor

Christina Logan, Principal Internal Auditor

Nathan K. Amick, Senior Internal Auditor

George Lunde, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Kathryn Ton, Senior Internal Auditor

Kathy Delino, Interim Systems Division Manager

Summy Voong, Interim Assistant System Division Manager

Robert Schlotfeld, Interim Chief Information Security Officer

Carly Ntoya, Director of Human Resources

Ted Granger, Assistant Chief Financial Officer

Doug Sluyk, Manager, Eide Bailly

Audrey Donovan, Senior Manager, Eide Bailly

Roger Alfaro, Partner, Eide Bailly

Jean Young, Engagement Partner, Plante Moran

Amanda Cronk, Senior Manager, Plante Moran

Kevin Villanueva, Cybersecurity Consulting Partner, Moss Adams

Robert H. Griffin, Audit Committee Consultant

I. CALL TO ORDER

The meeting was called to order virtually by Chair Sanchez at 8:00 a.m.

II. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Audit Committee Meeting of
March 23, 2022.

Mr. Bernstein made a motion, Mr. Knox seconded, to approve the minutes of the Special Audit Committee meeting of March 23, 2022, with the amended revisions. The motion passed (roll call) with Messrs. Bernstein, Jones, Kelly, Knox, Moore, Santos, and Ms. Sanchez voting yes.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. CONSENT ITEMS

- A. Recommendation as submitted by Steven P. Rice, Chief Council: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Audit Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days, so long as the State of Emergency remains in effect, and direct staff to comply with the agenda and public comment requirements of the statute. (Memo dated April 12, 2022)

Mr. Bernstein made a motion, Mr. Knox seconded, to approve staff's recommendations. The motion passed (roll call) with Messrs. Bernstein, Jones, Knox, Moore, Santos, and Ms. Sanchez voting yes, and Mr. Kelly abstaining.

V. NON-CONSENT ITEMS (Mr. Bernstein left at 8:20 am)

- A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Kathryn Ton, Senior Internal Auditor: That the Audit Committee authorize staff to issue a Request for Proposal to select a qualified investment consulting firm to perform a consulting review of LACERA's Investment Office Operational Due Diligence program and processes. (Memo dated April 21, 2022)

Messrs. Kreimann, Bendall, and Ms. Ton were present and answered questions from the Committee.

Mr. Santos made a motion, Mr. Knox seconded, to approve staff's recommendation with the revisions to page 5.

Mr. Kelly made a substitute motion, Mr. Jones seconded, to accept the document from staff and for the Chief Audit Executive to consider the committee's comments in terms of revisions. The motion failed (roll call) with Messrs. Jones, Kelly, Moore, voting yes; and Messrs. Knox, Santos, and Ms. Sanchez voting No. Mr. Bernstein was absent from the vote.

The motion to approve staff's recommendation with the revision to add the number of investment manager relationships to page 5. The motion passed (roll call) with Messrs. Jones, Knox, Santos, and Ms. Sanchez voting yes; and Messrs. Kelly and Moore voting no. Mr. Bernstein was absent from the vote.

- B. Recommendation as submitted by George Lunde, Senior Internal Auditor: That the Audit Committee review and discuss the LACERA Staff Bonus Program report and take the following action(s):

V. NON-CONSENT ITEMS (Continued)

1. Accept and file report;
2. Instruct staff to forward report to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
4. Provide further instruction to staff.
(Memo dated April 7, 2022)

Messrs. Lunde, Bendall, Kreimann and Ms. Guglielmo were present and answered questions from the Committee.

Ms. Sanchez made a motion, Mr. Knox seconded, to approve and file staff's recommendation and requested that the final policy be reported back to the Committee. The motion passed (roll call) with Messrs. Jones, Knox, Moore, Santos, and Ms. Sanchez voting yes; and Mr. Kelly voting no. Mr. Bernstein was absent from the vote.

(Mr. Bernstein rejoined at 9:03am)

- C. Recommendation as submitted by Kathryn Ton, Senior Internal Auditor: That the Audit Committee review and discuss the Comprehensive Review of Human Resources Recruiting Process report and take the following action(s):
1. Accept and file report;
 2. Instruct staff to forward report to Boards or Committees;
 3. Make recommendations to the Boards or Committees regarding actions
as may be required based on audit findings; and/or
 4. Provide further instruction to staff.
(Memo dated April 18, 2022)

V. NON-CONSENT ITEMS (Continued)

Mr. Slyuk from Eide Bailly provided a brief presentation. Messrs. Lugo, Kreimann, and Ms. Ton were present and answered questions from the Committee.

Mr. Knox made a motion, Mr. Santos seconded, to accept and file the report. The motion passed (roll call) unanimously with Messrs. Bernstein, Jones, Kelly, Knox, Moore, Santos, and Ms. Sanchez voting yes.

D. Recommendation as submitted by Kathryn Ton, Senior Internal Auditor: That the Audit Committee review and discuss the Accounts Payable Audit report and take the following action(s):

1. Accept and file report;
2. Instruct staff to forward report to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
4. Provide further instruction to staff.
(Memo dated April 15, 2022)

Mr. Bendall and Ms. Ton were present and answered questions from the Committee.

Mr. Bernstein made a motion, Mr. Knox seconded, to accept and file the report. The motion passed (roll call) with Messrs. Bernstein, Jones, Kelly, Knox, Moore, and Ms. Sanchez voting yes. Mr. Santos was absent from vote.

VI. REPORTS

- A. Los Angeles County Employees Retirement Association Audit Committee
Pre-Audit Communication
Jean Young, Plante Moran, Engagement Partner
Amanda Cronk, Plante Moran, Senior Manager
(Presentation) (Memo dated April 18, 2022)

Jean Young and Amanda Cronk from Plante Moran provided a brief presentation and answered questions from the Committee. Mr. Amick was present and answered questions from the Committee. This item was received and filed.

- B. Audit Plan Status Report
Leisha E. Collins, Principal Internal Auditor
(Presentation) (Memo dated April 22, 2022)

Ms. Collins provided a brief presentation and answered questions from the Committee. This item was received and filed.

- C. Annual Audit Planning for Fiscal Year 2022-2023
Richard P. Bendall, Chief Audit Executive
(Presentation) (Memo dated April 27, 2022)

Mr. Bendall provided a brief presentation and answered questions from the Committee. This item was received and filed.

- D. Overview of Survey of Retirement Systems Results
Robert H. Griffin, Audit Committee Consultant
(Presentation) (Memo dated April 15, 2022) (Mr. Santos left the meeting at 10:21am)

Mr. Griffin provided a brief presentation and answered questions from the Committee. Mr. Bendall was present and answered questions from the Committee. This item was received and filed.

VI. REPORTS (Continued)

- E. Recommendation Follow-Up of Internal Audit's External Quality Assessment
Leisha E. Collins, Principal Internal Auditor
(Memo dated April 15, 2022)

This item was received and filed.

- F. Recommendation Follow-Up Report
Kristina Sun, Senior Internal Auditor
(Memo dated April 27, 2022)

This item was received and filed.

- G. Recommendation Follow-Up for Sensitive Information Technology Areas
Christina Logan, Principal Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
(Memo dated April 15, 2022)

This item was received and filed.

- H. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

This item was received and filed.

Internal Audit Staffing Activity Report
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

This item was received and filed.

- I. Ethics Hotline Status Update
Kathryn Ton, Senior Internal Auditor
(For Information Only) (Memo dated April 21, 2022)

This item was received and filed.

VII. CONSULTANT COMMENTS

Robert H. Griffin, Audit Committee Consultant
(Verbal Presentation)

Mr. Griffin provided brief comments to the Committee.

VIII. ITEMS FOR STAFF REVIEW

The Committee requested that staff report back on the Bonus Program Policy when it is completed.

IX. GOOD OF THE ORDER
(For Information Purposes Only)

The Committee thanked staff for their work.

X. EXECUTIVE SESSION (Mr. Kelly left the meeting at 10:24 a.m.)

A. Potential Threats to Public Services or Facilities
(Pursuant to Subdivision (a) of California Government Code Section 54957)

On a motion by Ms. Sanchez, seconded by Mr. Bernstein, the Audit Committee voted to accept and file the external penetration testing results component of the confidential Moss Adams report and presentation on LACERA External Penetration Testing & Social Engineering Test Results dated May 9, 2022 and the proprietary and confidential LACERA External Network Penetration Testing report dated April 20, 2022 and to direct that they be provided to the Operations Oversight Committee of the Board of Retirement at its June 2022 meeting. The motion passed 6-0, with Messrs. Bernstein, Jones, Knox, Moore, and Santos and Ms. Sanchez voting yes. Mr. Kelly was absent from the vote.

B. Potential Threats to Public Services or Facilities
(Pursuant to Subdivision (a) of California Government Code Section 54957)

On a motion by Ms. Sanchez, seconded by Mr. Santos, the Audit Committee voted to accept and file the social engineering test results component of the confidential Moss Adams report and presentation on LACERA External Penetration Testing & Social Engineering Test Results dated May 9, 2022 and the proprietary and confidential LACERA Social

X. EXECUTIVE SESSION

Engineering Assessment report dated March 31, 2022, and to direct that they be provided to the Operations Oversight Committee of the Board of Retirement at its June 2022 meeting. The motion passed 6-0, with Messrs. Bernstein, Jones, Knox, Moore, and Santos and Ms. Sanchez voting yes. Mr. Kelly was absent from the vote.

XI. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:05 a.m.