

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

9:00 A.M., THURSDAY, FEBRUARY 17, 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

 Patrick L. Jones, Secretary

 Alan J. Bernstein

 Keith Knox

 Wayne Moore

 Herman B. Santos

MEMBERS AT LARGE

Vivian H. Gray, Board of Retirement

Elizabeth Greenwood, Board of Investments

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis A. Lugo, Deputy Chief Executive Officer

Laura Guglielmo, Assistant Executive Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

JJ Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

Jonathan Grabel, Chief Investment Officer

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

Summy Voong, Systems Division Interim Assistant Manager

Robert H. Griffin, Audit Committee Consultant

I. CALL TO ORDER

The meeting was called to order virtually by outgoing Chair Kelly at 9:00 a.m.

II. ELECTIONS OF OFFICERS (Election of Chair, Vice Chair, and Secretary)

A. Chair of the Audit Committee

Ms. Sanchez was nominated to the position of Chair of the Audit Committee by Mr. Santos. Hearing no other nominations, the nominations were closed. Mr. Kelly declared Ms. Sanchez as Chair of the Audit Committee for 2022.

II. ELECTIONS OF OFFICERS (Election of Chair, Vice Chair, and Secretary)
(Continued)

B. Vice Chair of the Audit Committee

Mr. Kelly and Mr. Jones were nominated to the position of Vice Chair of the Audit Committee by Mr. Santos and Mr. Kelly, respectively. Mr. Jones declined the nomination. Mr. Kelly declared himself as Vice Chair of the Audit Committee for 2022.

Mr. Santos nominated Mr. Jones to the position of Secretary of the Audit Committee. Hearing no other nominations, the nominations were closed. Mr. Kelly declared Mr. Jones as Secretary of the Audit Committee for 2022.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Audit Committee Meeting of December 2, 2021.

Mr. Bernstein made a motion, Mr. Knox seconded, to approve the minutes of the Regular Audit Committee meeting of December 2, 2021 with the amended revisions. The motion passed (roll call) with Messrs. Bernstein, Jones, Kelly, Knox and Ms. Sanchez voting yes and Messrs. Moore and Santos abstaining.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. CONSENT ITEMS

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: 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, and if so, direct staff to comply with the agenda and public comment requirements of the statute. (Memo dated January 27, 2021)

Mr. Rice was present to answer questions from the Committee.

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

VI. NON-CONSENT ITEMS

- A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: The Audit Committee review and approve the proposed 2022 Audit Committee meeting dates. (Memo dated February 1, 2022)

Messrs. Bendall and Griffin were present and answered questions from the

Committee.

Mr. Kelly made a motion, Mr. Santos seconded, to return the item to staff.

Mr. Bernstein made a substitute motion, Mr. Jones seconded, to approve staff's recommendation with the added 8:00 a.m. start time. The motion passed (roll call) with Messrs. Bernstein, Jones, Knox and Ms. Sanchez voting yes and Messrs. Kelly, Moore and Santos voting no.

VI. NON-CONSENT ITEMS (Continued)

A motion for reconsideration of the vote was made by Mr. Bernstein and seconded by Mr. Moore, to consider meeting date changes. The motion passed (roll call) with Messrs. Bernstein, Knox, Kelly, Jones, Moore, Santos and Ms. Sanchez voting yes.

Mr. Bernstein made a motion, Mr. Jones seconded, to approve the 2022 Audit Committee schedule as follows: May 9, 2022, August 18, 2022, and November 17, 2022, and move the meeting start time to 8:00 a.m. The motion passed (roll call) with Messrs. Bernstein, Moore, Santos, Jones, Knox, and Ms. Sanchez voting yes and Mr. Kelly voting no.

- B. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, Kristina Sun, Senior Internal Auditor: The Audit Committee approve staff's selection of Weaver & Tidwell, LLP to perform an organizational governance review. (Memo dated February 4, 2022)

Mr. Bendall was present and answered questions from the Committee.

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

- C. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, Leisha E. Collins, Principal Internal Auditor and Christina Logan, Principal Internal Auditor: The Audit Committee approve the Proposed Internal Audit Fiscal Year 2022 - 2023 Budget Request, and upon approval, direct staff to include it in LACERA's Administrative Budget for Board approval. (Memo dated February 4, 2022)

VI. NON-CONSENT ITEMS (Continued)

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

Mr. Kelly made a motion, Mr. Santos seconded, to approve staff's submission of the services and supplies budget and staff levels in the staff document, and in May the Committee will consider the salary and benefits expenses of staff. The motion passed (roll call) with Messrs. Bernstein, Jones, Kelly, Knox, Moore, Santos and Ms. Sanchez voting yes.

Mr. Jones made a motion, Mr. Knox seconded, to have the Audit Committee Consultant to conduct a Benchmarking study of a peer group analysis of pension trends and present it to the Committee at the May meeting. Messrs. Bernstein, Jones, Kelly, Knox, Moore, Santos and Ms. Sanchez voting yes.

Subsequent to the approved motions, Mr. Griffin raised a question concerning the Audit Committee Charter and budget process and requested clarification for the scope of the Benchmarking study. The Audit Committee addressed the Charter language and provided guidance that the study should focus on larger peer pension systems' internal audit departments and provide the Committee with some high-level points of comparison between these peers and LACERA. Chair Sanchez said she would meet with Mr. Griffin and Mr. Bendall to further discuss and define the study.

VI. NON-CONSENT ITEMS (Continued)

- D. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, Leisha E. Collins, Principal Internal Auditor and Christina Logan, Principal Internal Auditor: The Audit Committee review and approve amendments to the FY 2022 Internal Audit Plan. (Memo dated February 9, 2022)

Mr. Bendall and Mr. Grabel were present and answered questions from the Committee.

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

VII. REPORTS

- A. 2022 Audit Committee Orientation
Richard P. Bendall, Chief Audit Executive
Christina Logan, Principal Internal Auditor
(Presentation) (Memo dated February 1, 2022)

Ms. Logan and Ms. Sun provided a brief educational presentation. This item was received and filed.

- B. Management's Compliance Report
Santos H. Kreimann, Chief Executive Officer
Luis A. Lugo, Deputy Chief Executive Officer
(Memo dated January 31, 2022)

Mr. Lugo was present and answered questions from the Committee. This item was received and filed.

- C. Recommendation Follow-Up Report
Richard P. Bendall, Chief Audit Executive
Kristina Sun, Senior Internal Auditor
(Memo dated February 4, 2022)

VII. REPORTS (Continued)

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

This item was received and filed.

D. Recommendation Follow-Up Sensitive Information Technology Areas

Richard P. Bendall, Chief Audit Executive

Christina Logan, Principal Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

(Memo dated February 4, 2022)

Messrs. Bendall, Tafoya and Voong were present and answered questions from the

Committee. This item was received and filed.

E. Recommendation Follow-Up KPMG's External Quality Assessment

Richard P. Bendall, Chief Audit Executive

Christina Logan, Principal Internal Auditor

(Memo dated February 1, 2022)

Messrs. Bendall, Rice and Ms. Logan were present and answered questions from the

Committee. This item was received and filed.

F. Status of Other External Audits Not Conducted at the Discretion of
Internal Audit

Richard P. Bendall, Chief Audit Executive

(Verbal Presentation)

Mr. Bendall was present to answer questions from the Committee.

This item was received and filed.

G. Internal Audit Staffing Activity Report

Richard P. Bendall, Chief Audit Executive

(Verbal Presentation)

Mr. Bendall was present to answer questions from the Committee.

This item was received and filed.

VII. REPORTS (Continued)

H. Continuous Auditing Program (CAP)

Richard P. Bendall, Chief Audit Executive

Nathan K. Amick, Senior Internal Auditor

(For Information Only) (Memo dated February 1, 2022)

This item was received and filed.

I. Ethics Hotline Status Report

Richard P. Bendall, Chief Audit Executive

Kathryn Ton, Senior Internal Auditor

(For Information Only) (Memo dated January 31, 2022)

This item was received and filed.

VIII. CONSULTANT COMMENTS

Robert H. Griffin, Audit Committee Consultant

(Verbal Presentation)

Mr. Griffin provided brief comments to the Committee.

IX. REPORT ON STAFF ACTION ITEMS

The Committee requested that Internal Audit staff include at least one Audit Committee member in the RFP process when selecting firms. In addition, it was requested that members of the selection committee be included in the memo.

X. GOOD OF THE ORDER

The Committee thanked staff for their work.

XI. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 10:58 a.m.