



MINUTES OF FEBRUARY 18, 2021, AUDIT COMMITTEE MEETING

THIS MEETING WAS CONDUCTED VIA TELECONFERENCE WITH VIDEO

Date: February 18, 2021
To: Members of the Audit Committee
From: Henry Levy, Chair
Subject: **Summary of the February 18, 2021 Audit Committee Meeting**

ACERA TRUSTEES, SENIOR MANAGERS AND PRESENTING STAFF IN ATTENDANCE

Audit Committee Chair Henry Levy called the February 18, 2021, Audit Committee meeting to order at 1:00 p.m. Committee members present were Henry Levy, Tarrell Gamble, Ophelia Basgal, and Keith Carson. Committee member Trustee Elizabeth Rogers arrived after roll call. Other Board members present were Dale Amaral, Jaime Godfrey, and Alternates Nancy Reilly, and Darryl Walker. Members of the Staff present were David Nelsen, Chief Executive Officer; Kathy Foster, Assistant Chief Executive Officer; Margo Allen, Fiscal Services Officer; Harsh Jadhav, Chief of Internal Audit; Jeff Rieger, Chief Counsel; Betty Tse, Chief Investment Officer; Victoria Arruda, Human Resource Officer; and Vijay Jagar, Retirement Chief Technology Officer.

PUBLIC COMMENT

None.

ACTION ITEMS

External Audit:

- 1. Presentation, discussion, and possible motion to approve the external audit scope of work and timeline of services for the Financial Statements ended December 31, 2020, to be performed by Williams Adley & Co. LLP.**

Audrey Elbert and Kenneth Yu of Williams Adley & Company, LLC (WACO), presented and discussed the 2021 external audit scope of work and timeline of the 2020 external audit.

After discussion, it was moved by Ophelia Basgal and seconded by Keith Carson that the Audit Committee recommend to the Board of Retirement that the Board approve the external audit scope of work and timeline of services for the Financial Statements ended December 31, 2020, to be performed by Williams Adley & Co. LLP. The motion carried 9 yes (*Amaral, Basgal, Carson, Gamble, Godfrey, Levy, Reilly, Rogers, Walker*), 0 no, 0 abstentions.

INFORMATION ITEMS

External Audit

1. 2021 Audit Committee Work Plan (Proposed)

Staff presented the proposed 2021 Audit Committee work plan.

At the April Audit Committee meeting, Staff will discuss ACERA's Request for Proposal/Information (RFP/I) Process regarding the selection of a Board Approved Service Provider for ACERA's External Auditor for financial years ending 2021-2025, per ACERA's *Service Provider Policy*, p.3, IV(B)(2).

Internal Audit

1. Review of the Annual Risk Assessment

2. Presentation of the 2021 Internal Audit Program (Proposed)

3. Review Completed Audits

Staff presented, reviewed, and discussed the annual Risk Assessment Process, the proposed 2021 Internal Audit Program, and the completed audits.

Staff reported that cybersecurity continues to be one of the highest risks, especially as the organization transitions to working in a remote environment. Other risks identified by management included, confirming succession planning is in place for executives and key staff, ensuring investment staff have adequate technology tools to increase efficiency and to allow for in-depth research, and protecting our member's privacy and personal information. The Internal Audit Department Staff will also assist management with reviewing and designing internal controls for the new Pension Administration System. Staff will continue to work closely with the Information Technology (PRISM) Department Staff to perform a self-assessment of the Cyber/Data Security controls. Audit Committee Chair Henry Levy encouraged Staff and Trustees to let him or the Chief of Internal Audit know of any potential risks that may arise.

Based on the risk assessment results, Internal Audit Department Staff will conduct one policy audit, three internal audits and will focus on completing the Alameda Health System employer audit. It was noted that the Benefits Calculation Audit was completed.

ACERA Connection, ACERA's internal e-newsletter distributed to Staff, provides updates regarding fraud awareness and other issues covered by the Internal Audit Department. Trustees expressed that they would also like to receive the *ACERA Connection*.

Staff presented and discussed information regarding *The SolarWinds Hack*, which is a very sophisticated supply-chain attack created by a malicious organization. *SolarWinds* creates software that monitors computer networks. The malicious organization targeted and infected *SolarWinds'* software, and any organization that downloaded *SolarWinds'* software, their network/data was also infected. Staff reported that the media in cybersecurity firms indicated that Russia was the cause of the attack due to their negligence and that 18,000 firms globally, which were mostly IT and Government organizations, were impacted. Staff further reported that ACERA did not download *SolarWinds'* software, and therefore ACERA's systems were not impacted. It was noted that no organization is 100% safe, and as a result, IT Department Staff performed a comprehensive sweep of all of ACERA's systems and will continue to monitor its and ACERA's vendors' systems. It was noted that ACERA follows the National Institute of Standards and Technology (NIST) who sets-up the cybersecurity framework.

TRUSTEE INPUT AND DIRECTION TO STAFF

Trustee Darryl Walker stated that he would like to have more time for expansive discussions and explanations at future Committee meetings.

FUTURE DISCUSSION ITEMS

None.

ESTABLISHMENT OF NEXT MEETING DATE

April 15, 2021 at 12:30 p.m.

MEETING ADJOURNED

The meeting adjourned at 2:00 p.m.