

Public Meeting Agenda

California Housing Finance Agency Audit Committee

Wednesday, October 23, 2024

11:00 a.m.

Meeting location:

500 Capitol Mall

14th Floor Main Conference Room

Sacramento, CA 95814

916.326.8088

This meeting is also available to view via Zoom. Click on the link to register:

<https://events.zoom.us/j/9163268088>

1. Roll Call
2. Approval of the meeting minutes of the September 19, 2024 meeting 1
3. Chairperson comments
4. 2024 Annual Information Security Update (Pooja Deshmukh and Russell Nakao) 3
5. Review and discuss potential amendments to the Audit Committee Charter
(Rebecca Franklin) 16
- Proposed Audit Committee Charter (redlined) 21
- Proposed Audit Committee Charter (clean) 25
6. Other Committee matters
7. Public comment: Opportunity for members of the public to address the Committee on
matters within the Committee's authority
8. Adjournment

MINUTES

California Housing Finance Agency (CalHFA) Audit Committee Meeting September 19, 2024 Meeting noticed on September 9, 2024

1. Roll Call

The California Housing Finance Agency Audit Committee meeting was called to order at 9:01 a.m. by Chair Sotelo. A quorum of members was present.

MEMBERS PRESENT: Sotelo, White, Henning (for Ma)

MEMBERS ARRIVING
AFTER ROLL CALL: None

MEMBERS ABSENT: None

STAFF PRESENT: Tiena Johnson Hall, Chris Shultz, Claire Tauriainen, Melissa Flores, Oksana Glushchenko, Erwin Tam

GUEST SPEAKERS: Mandy Merchant, Principal, *CliftonLarsonAllen*
Liz Richardson, Senior Associate, *CliftonLarsonAllen*

2. Approval of the minutes – November 30, 2023

On a motion by Henning, the minutes were approved by unanimous consent of members present.

3. Chairperson comments

Chair Sotelo opened by welcoming everyone to the meeting. She outlined the agenda for the meeting and informed the members that they would perform their annual review of the Committee Charter at the scheduled next meeting.

4. Review and discussion of the Audited Financial Statements for the California Housing Finance Fund for the year ending June 30, 2023, including a discussion with the principal from CliftonLarsonAllen, LLP.

Presented by Mandy Merchant and Liz Richardson

Merchant and Richardson provided the Committee with an overview of the audit results of the California Housing Finance Fund for the year ending June 30, 2023. She reported that the Agency received an unmodified, or “clean”, opinion for both the GAAP financial statements audit

and the Single Audit. She further reported that the agreed-upon procedures from the compliance audit of the MyHome and Dream for All programs revealed no fundings.

5. Other Committee matters

Chair Sotelo stated that potential topics for future meetings may include the upcoming Request for Quotation for a new auditor contract and programmatic changes in the Multifamily division.

6. Public comment

Chair Sotelo asked if there were any members of the public who wanted to provide a public comment and the following people did:

- Lara Zanzucchi
- John Nguyen

7. Adjournment

As there was no further business to be conducted, Chair Sotelo adjourned the meeting at 9:59 a.m.



MEMORANDUM

To: Audit Committee Members **Date:** October 23, 2024

From: Pooja Deshmukh, Deputy Chief Information Officer
Russell Nakao, Chief Information Security Officer
California Housing Finance Agency

Subject: Agenda Item 4 – 2024 Annual Information Security Update (Ashish Kumar and Russell Nakao)

CalHFA's 2024 Annual Information Security Update

In this 2024 Annual Information Security Update, CalHFA staff will brief the Audit Committee on the following areas:

A) Information Security Management Goals at CalHFA

Information Security Management (ISM) is the process of protecting CalHFA's data and assets against potential threats. One of the primary goals of ISM, is to protect data confidentiality, integrity and availability.

B) Performance and contribution to business execution using Information Security

Information Security is essential for CalHFA's success because it protects sensitive data, ensures compliance with regulatory requirements, fosters and maintains trust with customers, ensures business continuity of key Agency functions in an event of a security incident and finally, enhances operational efficiencies within the Agency.

C) Material Risk resulting from Information Security and its impact to CalHFA

Material risk refers to the potential for an event that would have a significant impact on CalHFA's financial health, operations or reputation. In the context of Information Security, CalHFA continues to assess and manage threats that could lead to substantial data breaches, cyberattacks or other security incidents.

D) External factors that require moderate tactical response

A tactical response to external Information Security events involves quickly identifying, assessing, and mitigating threats from external bad actors and swiftly responding to

requests from outside agencies. At CalHFA, this means we are promptly responding to these threats and requests effectively.

F) Security Strategy

Security Strategy consists of Information Technology and Information Security initiatives aimed at protecting CalHFA's information assets. These initiatives include implementing new security technologies, conducting vulnerability assessments, and developing policies and procedures to mitigate risks.

G) Cyber Security Maturity

Cybersecurity maturity refers to CalHFA's ability to effectively manage and improve its cybersecurity practices over time. It involves assessing the current state of security measures, identifying areas for improvement, and implementing strategies to enhance overall security posture.



2024 Annual Information Security Update

October 23, 2024

Pooja Deshmukh

Deputy Chief Information Officer

Russell Nakao

Chief Information Security Officer

- Information Security Management Goals at CalHFA
- Key Points
- Business Execution
- Material Risks
- External Factors
- Security Strategy
- Cyber Security Maturity
- Action Plan for FY 24/25 - Beyond



Information Security Management Goals at CalHFA

- Minimize fear, uncertainty, and doubt, while focusing on the business and CalHFA readiness to deal with information security threats.
- Balance the need to protect CalHFA against the requirements for operating the business.
- Involve all relevant stakeholders in our Information Security Management process



Key Points

Business Execution	Bright spots, including continued remedial work in several areas to enhance our business performance and security maturity
Material Risks	No CalHFA systems saw a security event in FY 23/24, Vendor partners (2) saw breaches, however, it didn't impact or change our risk position. All other material risks are stable.
External Environment	External events require moderate tactical responses
Security Strategy	Current security strategy is on target. Our processes continue to mature and exceeds peer benchmarks.
Recommendations	Communicate the current state and endorse action plan (Security Strategy)

Business Domain	Bright spots	Remedial Work
Data Protection	Implementing Cyber Security Resilience Update end point protection Implementing Privilege Access Management System Updated Core Network Switch	Data Encryption work continues Data Resilience work continues Network Segmentation Phase 2 Tailored Information Security Training
Regulatory Compliance	Completed mandatory updates per State guidelines	Remediation work continues in partnership with State, Internal and External partners
Maintaining Customer Trust	Protected sensitive data, systems and network by engaging stakeholders and customers	Build trust with creditability with customers
Business Continuity	Updated our Business Continuity Plan	Overall Testing of the Business Continuity Plan
Operational Efficiencies	AI Acceptable Use Policy 10 Phishing Campaigns 15 different IS Training Modules across CalHFA Created new IS Policies (5) Updated numerous Policies and Procedures	Creating various new procedures, policies and templates throughout the Agency

- Zero Information Security Incidents on CalHFA systems in FY 23/24
- External - 2 Business Partner's had Data Breaches
 - No direct impact on CalHFA's financial or operations
 - Business Partner's performed actions per State guidelines
 - ❖ Breach notifications
 - ❖ Offered credit monitoring



External Events require Moderate Tactical Responses

External Event	Response
Increase in ransomware attacks across both private and public sectors.	<ul style="list-style-type: none">• Effective and regularly tested Response Plans (TRP, CIRP)• Regularly performed Data backups and application of security patches.
AI landscape presents new opportunities to defend CalHFA's critical infrastructure against malicious activity.	<ul style="list-style-type: none">• AI Presence is limited to minimal internal usage.• New AI Usage Policy rollout 09/05/2024• Cautious approach for External use. No current AI technology for external use.
We fall under the ambit of New Information Security Program Audit requirement.	<ul style="list-style-type: none">• ISPA Audit Completed – October 2023• Remediation Efforts are on track to meet all findings before next Audit Review Cycle – FY 24/25• Ongoing workshop sessions with OIS Advisory team (7)• Next ISPA Audit – FY 27/28
We are fully participating with California Department of Technology and Office of Information Security.	<ul style="list-style-type: none">• Independent Information Security Assessment Participation - Dec 2024

Area	April - June 2024 2Q24	July - September 2024 3Q24	October - December 2024 1Q24	January - March 2025 1Q25	April - June 2025 2Q25	July - September 2025 3Q25	October - December 2025 4Q25	January - March 2026 1Q26	April - June 2026 2Q26	Budget (FY 24/25)
1A. Data Loss Prevention		Cyber Security Resilience Implementation								7.47%
		New Disaster Recovery Implementation								3.53%
		Encrypting Data at Rest								
		Encrypting Data in Transit								
Cybersecurity Measures	Microsoft Defender Rollout (BitDefender Deprecation)		Microsoft Defender Policy/Feature Adjustments							0.36%
	Mobile Device Management (Windows Devices Onboarding)		Mobile Device Management Policy/Feature Adjustments							
	Privileged Account Management (Environment Setup)		Privileged Account Management (Credential Testing/Implementation)							0.57%
		Security Information and Event Management Solution (Vendor Buyout/Platform Change)	Security Information and Event Management Solution (New Vendor Onboarding)							1.93%
	Privileged Identity Management (Microsoft Entra)									
	Information Security Program Audit				Information Security Program Audit - Check In					12.88%
			Independent Security Assessment							2.19%
					IT Risk Assessment					0.36%
					Statement on Standards for Attestation Engagements 21; System and Organization Controls 1, Type 1					0.64%
		Nationwide Cybersecurity Review								
3A. Legacy Network Replacment	Network Core Switch Replacement									0.52%
		Wi-Fi network replacment and upgrade								
		Replace VoIP with Teams based Telephony								1.29%
3B. Network Segregation	Network Segmentation Phase 1									
					Network Segmentation Phase 2					

Legend

Late

Early

On Target

Complete

Not Started

Our Cyber Security Maturity continues to Improve; it Exceeds Peer Benchmarks

OIS’s Cyber Security Maturity

State Agency Average	BCSH Average	CalHFA
1.53 (70 Entities)	1.36 (5 Entities)	2.02

Nationwide Cyber Security Review (NCSR)

National Average 2023	CalHFA - 2023
5.00	6.36

Current state:

- CalHFA's Information Security program will continue to uplift business performance
- Action in response to external changes will be executed by CalHFA ISO Team
- No action is required for material risk position
- Security Strategy will continue as scheduled

Next Audit Committee update to be delivered in 2025



Questions?



MEMORANDUM

To: Audit Committee Members **Date:** October 24, 2024

From: Rebecca Franklin, Acting Chief Deputy Director
California Housing Finance Agency

Subject: Agenda Item 5 – Review and discuss potential amendments to the Audit Committee Charter

Background

The Audit Committee was originally created in 2006 by Resolution 06-08 (attachment I) to act as an advisory Committee to the Board of Directors in matters dealing with the selection and retention of auditors and in the facilitation of audits of the Agency. The Audit Committee Charter was officially adopted by the Board of Directors, also in 2006, with the approval of Resolution 06-15 (attachment II).

As part of the annual review process, the Audit Committee (the “Committee”) is required to evaluate and approve its Charter language and any proposed changes. This year, we have made significant updates to enhance our focus on enterprise risk management which also includes elements related to Information Technology (IT) security.

Expanded Focus on Enterprise Risk Management

As we navigate an increasingly complex risk landscape, it is essential that we adopt a more integrated approach to Enterprise Risk Management (ERM). A high-Level Summary of key enhancements include:

1. **Governance and Framework Review** – The Committee will oversee and recommend updates to the enterprise-wide risk management governance and framework, ensuring alignment with the Agency's Strategic Plan and key objectives.

2. **Risk Exposure Management** – The Committee will collaborate with management to identify and monitor significant and emerging enterprise risks, evaluate mitigation strategies, and report findings to the Board.
3. **IT Security as a Key Component** – Expanding charter language to recognize IT security as essential to the Agency's ERM strategy, focusing on risks related to data breaches, cyberattacks, and regulatory compliance.
4. **Regular Updates on IT Security Initiatives** – The Committee will receive ongoing updates regarding IT security initiatives, including vulnerability assessments and incident response strategies, to ensure we remain well-informed about our security posture.

These enhancements reflect our commitment to Enterprise Risk Management as CalHFA continues to serve communities and stakeholders through various housing initiatives. By adopting these updates, we aim to provide the Committee with a comprehensive understanding of the current risk landscape, thereby enabling informed decision-making.

RESOLUTION 06-08

RESOLUTION APPROVING CREATION OF AUDIT COMMITTEE

WHEREAS, the California Housing Finance Agency (the "Agency") is required by law to have audited financial statements of both the California Housing Finance Fund, and the California Housing Loan Insurance Fund, and

WHEREAS, the staff of the Agency has recognized that both corporate and public boards are playing an increasingly direct role in the oversight of auditors and audited financial statements; and

WHEREAS, the staff of the Agency has recommended that the Board create an audit committee for the purpose of providing the Board with direct involvement with auditors in connection with the preparation and review of such financial statements, as well as the retention of auditors by the Agency; and

WHEREAS, the Board of Directors of the Agency recognizes that having a direct role in the audit process will constitute a sound financial practice that will assist both the auditors and staff in the preparation and review of the audits, and benefit the Board and the Agency generally;

WHEREAS, the Board has determined that the best method of providing such a role would be through the creation of an audit committee consisting of three voting members of the Board of Directors, to which the Board would delegate the authority to develop policies and procedures relating to the retention of auditors by the Agency, and which would otherwise act in an advisory capacity to the Board concerning audits and related financial matters;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. There is hereby created an audit committee of the Board of Directors, consisting of three voting members of the Board, to be selected by the Chairman of the Board annually or as otherwise required to fill vacancies.

2. The audit committee shall generally be advisory to the full Board of Directors, provided, however, that the Board delegates to the audit committee the

1 authority to create any internal procedures regarding the selection and retention of
2 auditors that the committee may deem appropriate.

3
4 3. The role of the audit committee shall be to meet with Agency staff and
5 outside auditors as necessary or desirable, to (i) develop any procedures necessary or
6 helpful in connection with the selection and retention of auditors; (ii) facilitate audits
7 of the Agency; (iii) review the scope of audits and any issues relating to such audits;
8 and (iv) to review proposed audit findings and other related financial issues. The
9 committee shall report to the full Board, at a regular meeting of the Board of Director
10 at least once a year , on the audit process and the results of such audits; and may take
11 such other actions as the Board may direct at such Board meetings .

12
13 4. All meetings of the audit committee shall be open public meetings.

14
15 I hereby certify that this is a true and correct copy of Resolution 06-08 adopted at a
16 duly constituted meeting of the Board of Directors of the Agency held on January 12,
17 2006, at Millbrae, California.

18
19
20
21 ATTEST: 
22 Secretary
23
24
25

RESOLUTION 06-15

RESOLUTION APPROVING AUDIT COMMITTEE CHARTER

WHEREAS, the California Housing Finance Agency (the "Agency") is required by law to have audited financial statements of both the California Housing Finance Fund, and the California Housing Loan Insurance Fund, and

WHEREAS, on January 12, 2006, the Board of Directors adopted Resolution 06-08, authorizing the creation of an audit committee of the Board; and

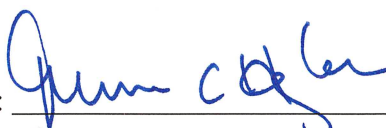
WHEREAS, the Chairman of the Board named Director Jack Shine as the Chairman of the audit committee, and Directors Carol Galante and Peter Carey as the additional members of the committee, as authorized by the terms of resolution 06-08; and

WHEREAS, the members of the committee and the staff of the Agency have developed a proposed charter for the committee;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The attached "Audit Committee Charter-May 2006" is hereby adopted by the Board.

I hereby certify that this is a true and correct copy of Resolution 06-15 adopted at a duly constituted meeting of the Board of Directors of the Agency held on July 6, 2006, at Sacramento, California.

ATTEST: 
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER
OctoberMay, 20242006

MISSIONPurpose, Role, and Functions

The Audit and Risk Management Committee (the “Committee”) ~~assists of~~ the Board of Directors ~~in of the Agency will assist the Board of Directors in fulfilling its oversight responsibilities in the area of financial reporting, and accounting integrity, and enterprise-wide risk management.~~ In performing its duties, the ~~Audit~~ Committee ~~will~~aims to maintain effective working relationships with the Board of Directors, ~~with~~ Agency executive management, ~~and~~ staff, and ~~with the Agency’s~~ independent auditors. ~~The Audit Committee has the authority to conduct any review appropriate to fulfilling its responsibilities. The committee will have direct access to independent auditors, as well as anyone in the organization.~~

COMPOSITIONMembership

The ~~Audit~~ Committee ~~will be~~shall consist of~~comprised of a minimum of no less than~~ three voting members ~~of the Board, to be~~ selected by the Chairman of the Board. Members will ~~to~~ serve on a rotational basis with staggered terms. The Chairman will appoint one member as the Chair of the Committee. All members should possess the appropriate qualifications, knowledge, skills, and experience to effectively carry out the Committee’s responsibilities. The Committee will oversee its own succession planning for Board approval.

AUTHORITYAuthority

The ~~Audit~~ Committee operates under limited powers ~~has certain limited powers delegated to it by Board Resolution 06-08, and serves will act in an advisory capacity to the Board concerning audits and related financial enterprise risk matters. Management, staff, and the independent auditor will provide serve as a resources to enhance the Committee’s in their understanding of the Agency’s financial reporting obligations, responsibilities and any significant issues related to financial reporting, and accounting, and risk management policies. All Agency employees of the Agency are expected directed to cooperate with the Committee as requested by members of the Committee. The Committee has the authority to conduct any review necessary to fulfill its responsibilities, including direct access to independent auditors and any other personnel within the organization. The Committee will review its duties and charter annually and make recommendations to the Board if it determines that any changes are appropriate.~~

MEETINGMeetings

The ~~Audit~~ Committee ~~shall~~will meet at least twice ~~per a~~ year, with additional meetings as requested by the Chair or other members. It will ~~The committee will also report to the full Board, at a regular meeting of the Board of Directors at least once a year regarding, on the audit processes and outcomes results of such audits. All meetings of the Committee of the committee~~

~~shall~~will be open ~~public meetings subject~~ to the public, following the same notice and agenda procedures as for meetings of the are regular full meetings of the Board meetings. ~~Agency staff will serve as staff to the committee.~~

~~MINUTES~~Minutes

Minutes of each meeting will be prepared and distributed sent to all Board members ~~of the Board~~. These ~~committee~~ minutes ~~need not~~not be verbatim and are considered. ~~Minutes of meetings are public records unless subject to the privileges and exemptions of under the California Public Records Act or other applicable law.~~

~~DUTIES~~Duties and Responsibilities

The ~~Audit~~ Committee will conduct its oversight activities in relation to the followingby:

Audit

~~Periodically reviewing with the assistance of Agency management, staff and independent auditors the Agency's policies and procedures. Part of this review shall include the direct inquiry of management and independent auditors about the significant risks or exposures and the steps management has taken to minimize such risk to the Agency.~~

1. ~~Review with the staff and applicable independent auditors the scope and general extent of each such the independent auditor's examination, including direct inquiries regarding significant risks or exposures identified and management's strategies to mitigate those risks. -~~

~~The Audit Committee's review shall encompass include an understanding from the independent auditor of the factors considered in determining the audit scope, including:~~

~~a. Industry and business risk characteristics of the Agency~~

~~a~~b. External reporting requirements

~~b~~e. Materiality of the ~~various segments of the~~ Agency's activities

~~c~~d. Quality of the Agency's internal control structure

~~d~~e. Other areas ~~to be~~ covered during the audit engagement

- ~~3. Review with the Agency's management, staff and independent auditors, Upon the~~
2. ~~completion of their audit, review and discuss with Agency's management, staff, and independent auditors financial results for the year. This Committee shall:~~

a. ~~Review the Agency's annual financial statements and the independent auditor's opinion(s) of the independent auditors;~~

b. ~~Discuss with management, staff and independent auditors any~~ Current accounting and reporting issues, including recent professional and relevant regulatory or professional pronouncements, —Agency ensuring management keeps the Committee and staff shall have the duty to informed

~~Committee members of significant relevant issues and developments in accounting and financial reporting;~~

c. ~~Discuss with Agency management, staff and the independent auditor any~~ s~~Significant changes from prior~~ceeding years;

d. ~~Review the adequacy of disclosure of significant items;~~

- ~~e. Discuss with Agency management, staff and the independent auditor the effect on financial statements of any proposed or implemented changes in accounting policies initiated by the Agency, independent auditors or pronouncements of standard boards or governmental authorities~~
- ~~f. Presentation of financial statements~~
- ~~dg. Report to the Board a~~ny illegal, improper, or sensitive transactions, reporting findings that have come
to the ~~Board~~attention of the Committee through information received by management, staff or the independent auditor or by any other means;
- ~~eh. Review s~~Significant adjustments proposed by the independent auditors-
- ~~—4. Review all management letter items from the independent auditor and the written~~
- ~~3. responses from management about on~~ each comment or finding.
- ~~—Discuss with the~~
- ~~4. independent auditors the level of professional competence of the Agency's financial and accounting personnel, and any relevant recommendations, which the auditors may have.~~
- ~~5. Recommend to the Board of Directors any appropriate changes in the duties of the Committee. Review and update the Committee's charter annually.~~
- ~~—6. Review and evaluate the Agency's selection process for~~obtaining a multi-year auditing services contract with independent auditors.
- ~~5. contract with an independent auditor.~~
- ~~—7. Review legal and regulatory matters that may have a materially impact on the financial~~
- ~~6. S~~tatements, and related compliance policies and programs.
- ~~7. 8. Review and assess with management the Agency's Conflict of Interest / Code of Ethics~~
Policy and its enforcement.
~~and the Agency's system of enforcing the policy.~~

Risk Management

- 1. Review and recommend to the Board, changes to the Agency's enterprise-wide risk management governance and framework, in line with the Agency's Strategic Plan and annual business plan objectives, including, but not limited to the following:
 - a. Credit risk
 - b. Market risk
 - c. Compliance risk
 - d. Technology and Strategic risk
 - e. Legal risk
 - f. Business Continuity
- 2. Review with Agency's management and staff, to identify significant enterprise risk exposures, monitor and manage existing risks, evaluate risk mitigation strategies, based on the Agency's risk tolerances, as necessary, and report findings to the Board.
- 3. Review with Agency's management and staff, risks related to statutory and regulatory requirements, that could potentially impact operations of the Agency and provide findings to the Board.
- 4. Review findings from non-financial audits and examinations conducted by government agencies, external auditors, or consultants engaged for specific purposes.

5. Review biennial State Leadership Accountability Act (SLAA) report on the effectiveness of the Agency's internal control system to reduce waste, strengthen internal controls to minimize fraud, errors, and abuse of government funds.
6. Review the annual report on information security risk assessment, focusing on key risks, and evaluate the effectiveness of practices designed to manage cybersecurity activities to reduce vulnerabilities and combat threats.

**CALIFORNIA HOUSING FINANCE AGENCY
AUDITS AND RISK MANAGEMENT COMMITTEE CHARTER
October 2024**

Purpose, Role, and Functions

The Audit and Risk Management Committee (the “Committee”) assists the Board of Directors in its oversight of financial reporting, accounting integrity, and enterprise-wide risk management. In performing its duties, the Committee aims to maintain effective working relationships with the Board of Directors, Agency executive management, staff, and independent auditors.

Membership

The Committee shall consist of a minimum of three voting members, selected by the Chairman of the Board. Members will serve on a rotational basis with staggered terms. The Chairman will appoint one member as the Chair of the Committee. All members should possess the appropriate qualifications, knowledge, skills, and experience to effectively carry out the Committee’s responsibilities. The Committee will oversee its own succession planning for Board approval.

Authority

The Committee operates under limited powers delegated by Board Resolution 06-08 and serves in an advisory capacity concerning audits and enterprise risk matters. Management, staff, and independent auditors will provide resources to enhance the Committee’s understanding of the Agency’s financial reporting obligations, and any significant issues related to financial reporting, accounting, and risk management policies. All Agency employees are expected to cooperate with the Committee as requested. The Committee has the authority to conduct any review necessary to fulfill its responsibilities, including direct access to independent auditors and any other personnel within the organization. The Committee will review its duties and charter annually and make recommendations to the Board if it determines that any changes are appropriate.

Meetings

The Committee shall meet at least twice a year, with additional meetings as requested by the Chair or other members. It will report to the full Board at least once a year regarding audit processes and outcomes. All meetings of the Committee will be open to the public, following the same notice and agenda procedures as for meetings of the full Board of Directors.

Minutes

Minutes of each meeting will be prepared and distributed to all Board members. These minutes need not be verbatim and are considered public records subject to the privileges and exemptions of the California Public Records Act or other applicable law.

Duties and Responsibilities

The Committee will conduct its oversight activities in relation to the following:

Audit

1. Review with staff and applicable independent auditors the scope and extent of each such auditor's examination, including direct inquiries regarding significant risks or exposures identified and management's strategies to mitigate those risks. The review shall encompass:
 - a. External reporting requirements
 - b. Materiality of the Agency's activities
 - c. Internal control structure
 - d. Other areas covered during the audit engagement
2. Upon completion of the audit, review and discuss with Agency's management, staff, and independent auditors:
 - a. Agency annual financial statements and the independent auditors' opinion(s)
 - b. Current accounting and reporting issues, and relevant regulatory or professional pronouncements, ensuring management keeps the Committee informed of significant developments
 - c. Significant changes from prior years
 - d. Any illegal, improper, or sensitive transactions, reporting findings to the Board
 - e. Significant adjustments proposed by the independent auditors
3. Review all management letter items from independent auditors and written responses from management on each comment or finding.
4. Discuss with independent auditors the level of professional competence of the Agency's financial and accounting personnel, and any relevant recommendations, which the auditors may have.
5. Review and evaluate the Agency's selection process for obtaining multi-year auditing services contract with independent auditors.
6. Review legal and regulatory matters that may materially impact financial statements, compliance policies and programs.
7. Review and assess the Agency's Conflict of Interest / Code of Ethics policy and its enforcement.

Risk Management

1. Review and recommend to the Board, changes to the Agency's enterprise-wide risk management governance and framework, in line with the Agency's Strategic Plan and annual business plan objectives, including, but not limited to the following:
 - a. Credit risk
 - b. Market risk
 - c. Compliance risk
 - d. Technology and Strategic risk
 - e. Legal risk
 - f. Business Continuity

2. Review with Agency's management and staff, to identify significant enterprise risk exposures, monitor and manage existing risks, evaluate risk mitigation strategies, based on the Agency's risk tolerances, as necessary, and report findings to the Board.
3. Review with Agency's management and staff, risks related to statutory and regulatory requirements, that could potentially impact operations of the Agency and provide findings to the Board.
4. Review findings from non-financial audits and examinations conducted by government agencies, external auditors, or consultants engaged for specific purposes.
5. Review biennial State Leadership Accountability Act (SLAA) report on the effectiveness of the Agency's internal control system to reduce waste, strengthen internal controls to minimize fraud, errors, and abuse of government funds.
6. Review the annual report on information security risk assessment, focusing on key risks, and evaluate the effectiveness of practices designed to manage cybersecurity activities to reduce vulnerabilities and combat threats.