

Public Meeting Agenda

California Housing Finance Agency Audit Committee

Thursday, November 30, 2023

9:00 a.m.

This meeting will be conducted virtually, with public participation available through video and written comments.

Click on the Zoom link to register:

[https://events.zoom.us/ev/AgNw\\_nepvvh\\_R1E\\_Va8Zb9R5mjfAsZ8G4kAcScA\\_XII7Nj71XC31~As8\\_qo6ccaAvMwFyD4hzNAVtiPGbR68tMldBGghEUvbQy6BahrJHol\\_g0Nw](https://events.zoom.us/ev/AgNw_nepvvh_R1E_Va8Zb9R5mjfAsZ8G4kAcScA_XII7Nj71XC31~As8_qo6ccaAvMwFyD4hzNAVtiPGbR68tMldBGghEUvbQy6BahrJHol_g0Nw)

1. Roll Call
2. Approval of the meeting minutes of the October 26, 2023 meeting ..... 1
3. Chairperson comments (Dalila Sotelo)
4. 2023 Annual Information Security update (Ashish Kumar, Chief Information Officer and Russell Nakao, Chief Information Security Officer)..... 3
5. Annual review of the Committee Charter (Dalila Sotelo)..... 18
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 October 26, 2023

Meeting noticed on October 16, 2023

#### 1. Roll Call

The California Housing Finance Agency Audit Committee meeting was called to order at 9:13 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, Rebecca Franklin

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

#### 2. Approval of the minutes – October 26, 2022

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

#### 3. Chairperson comments

Chair Sotelo opened by welcoming everyone to the meeting. She thanked staff for their diligent work on the audit and then outlined the items on the meeting agenda.

#### 4. Review and discussion of the Audit Financial Statements for the California Housing Finance Fund for the year ending June 30, 2022, including a presentation by CliftonLarsonAllen

*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, 2022. She reported that the Agency received an unmodified or “clean opinion” on the financial statements. She further reported that there were no findings on the Single Audit of the California Housing Finance Fund.

**5. Review and discussion of the State Leadership Accountability Act (SLAA) report**

*Presented by Rebecca Franklin, Director of Enterprise Risk Management and Compliance*

**6. Other Committee matters**

Chair Sotelo asked if there were any other Committee matters and there were none.

**7. Public comment**

Chair Sotelo asked if there were any members of the public who wanted to provide a comment and there were none.

**8. Adjournment**

As there was no further business to be conducted, Chair Sotelo adjourned the meeting at 9:49 am.



## MEMORANDUM

**To:** Audit Committee Board of Directors **Date:** November 30, 2023

**From:** Ashish Kumar, Chief Information Officer  
Russell Nakao, Chief Information Security Officer  
California Housing Finance Agency

**Subject:** Agenda Item 4 – 2023 Annual Information Security update

### **CalHFA's 2023 Annual Information Security Update**

In this 2023 Annual Information Security Update, CalHFA staff will brief the Audit Committee on the following areas:

- a) Current Cybersecurity Risks
- b) Recent Security Incidents
- c) Results of Security Audits and Assessments
- d) Progress on Cybersecurity Projects
- e) Looking Ahead for 2024



# 2023 Annual Information Security Update

November 30, 2023

**Ashish Kumar**

Chief Information Officer

**Russell Nakao**

Chief Information Security Officer

- What is Cybersecurity?
- Cybersecurity measures to Protect CalHFA
- Cybersecurity Topics
- Looking Ahead to 2024



Is a practice of being protected

- Against the cyber criminals
- Unauthorized use of electronic data
- By taking steps to protect against Cyber incidents

At CalHFA this means:

- Protecting our Systems
- Protecting our Network
- Protecting our Programs



- Comprehensive Information Security Program
- Cybersecurity posture involving:
  - People
  - Process
  - Technology







Current  
Cybersecurity  
Risks



Recent  
Security  
Incidents



Results of  
Security  
Audits and  
Assessments



Progress on  
Cybersecurity  
Projects



- Ransomware attacks
- Supply Chain Attacks
- Zero-Day Exploits
- Phishing and Social Engineering
- Cloud Security
- Remote Work Security

## Really good text phishing attempt!



- CalHFA has an Incident Response Plan to guide us if a security incident occurs
- We work closely with Cal-CSIRS (California Compliance and Security Incident Reporting System) to report and remediate an occurrence
- Our last closed reportable event took place in 2019
- Currently tracking a potential data security incident with one of our business partners



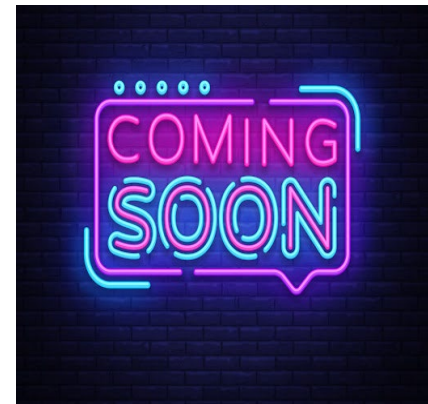
- Independent Security Assessment (ISA), **Completed: March 2023**
- IT Risk Assessment – **Completed: October 2023**
- SSAE21 SOC Type 1 – **Completed: October 2023**
- Information Security Program Audit – **Completed: September 2023**
- Nationwide Cyber Security Review (NCSR) – **Due: December 2023**
- Phishing campaigns – **Ongoing throughout the year, Conducted: 9**
- Information Security Training – **Ongoing throughout the year, Enrolled: 10**

- Established a retainer contract with Security Managed Service Provider
  - Start: 06/30/2023
  - Value: **Provide our team expertise assistance in performing and investigating advance cyber threats**
- Purchased and installed a Privilege Access Manager
  - Start: 06/30/2023
  - Value: **Protects our admin accounts which makes it more difficult for malicious actors to compromise our systems**

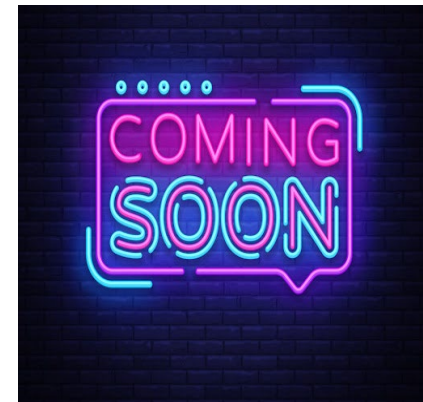
# Looking Ahead to 2024



- With dedicated staff, the security group will be able to consistently manage/monitor the digital environment with existing security tools (proactive vs. reactive)

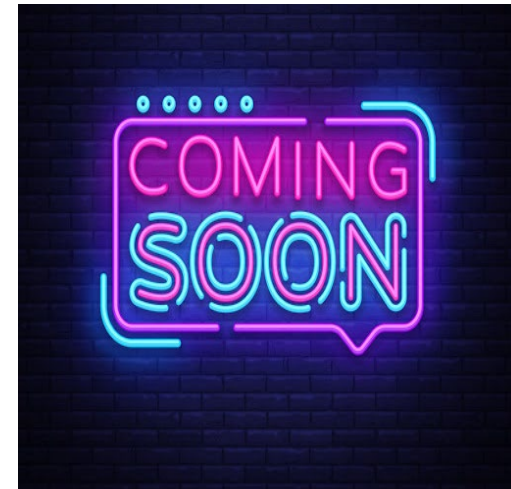


- Moving to a laptop for our main “everyday” computer makes connecting to agency resources smoother but also opens the door for potential data loss
- With the implementation of MDM IT will be able to protect agency devices and data





- Stock training is a great way to relay important information about Information Security but sometimes it can be monotonous
- We are producing some tailored training to highlight specific things to look out for in the CalHFA digital environment





Questions?

**CALIFORNIA HOUSING FINANCE AGENCY  
AUDIT COMMITTEE CHARTER  
MAY, 2006**

**MISSION**

The Audit Committee of the Board of Directors of the Agency will assist the Board of Directors in fulfilling its oversight responsibilities in the area of financial reporting and accounting integrity. In performing its duties, the Audit Committee will 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.

**COMPOSITION**

The Audit Committee will be comprised of no less than three voting members of the Board, to be selected by the Chairman of the Board, to serve on a rotational basis with staggered terms.

**AUTHORITY**

The Audit Committee has certain limited powers delegated to it by Board Resolution 06-08, and will act in an advisory capacity to the Board concerning audits and related financial matters. Management, staff, and the independent auditor will serve as a resource to the Committee in their understanding of the Agency's financial reporting and accounting policies. All employees of the Agency are directed to cooperate as requested by members of the Committee.

**MEETING**

The Audit Committee will meet at least twice per year. The committee will also report to the full Board, at a regular meeting of the Board of Directors at least once a year, on the audit process and results of such audits. All meetings of the committee shall be open public meetings subject to the same notice and agenda procedures as are regular meetings of the Board. Agency staff will serve as staff to the committee.

**MINUTES**

Minutes of each meeting will be prepared and sent to all members of the Board. The committee minutes need not be verbatim. Minutes of meetings are public records unless exempted under the California Public Records Act or other applicable law.

**DUTIES**

The Audit Committee will conduct its oversight activities by:

1. 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.
2. Review with the staff and independent auditor the scope and general extent of the independent auditor's examination. The Audit Committee's review shall 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
  - b. External reporting requirements
  - c. Materiality of the various segments of the Agency's activities
  - d. Quality of the Agency's internal control structure
  - e. Other areas to be covered during the audit engagement
3. Review with the Agency's management, staff, and independent auditors, upon the completion of their audit, financial results for the year. This Committee shall:
  - a. Review the Agency's annual financial statements and the opinion of the independent auditors;
  - b. Discuss with management, staff, and independent auditors any current accounting and reporting issues, including recent professional and regulatory pronouncements – Agency management and staff shall have the duty to inform Committee members of significant relevant issues and developments in accounting and financing reporting;
  - c. Discuss with Agency management, staff, and the independent auditor any significant changes from preceding 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;
  - g. Report to the Board any illegal, improper, or sensitive transactions that have come to the attention of the Committee through information received by management, staff or the independent auditor or by any other means;
  - h. Review significant adjustments proposed by the independent auditors

4. Review all management letter items from the independent auditor and the written responses from management about each comment or finding. Discuss with the 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 the Agency's selection process in obtaining a multi-year auditing services contract with an independent auditor.
7. Review legal and regulatory matters that may have a material impact on the financial statements and related compliance policies and programs.
8. Review with management the Agency's Conflict of Interest/Code of Ethics policy and the Agency's system of enforcing the policy.