



## Internal Audit Risk Assessment & Proposed FY 2019 Annual Audit Plan

August 7, 2018

### FROM THE AUDIT DIRECTOR

We are pleased to submit the Internal Audit Risk Assessment and Proposed Internal Audit Plan (Plan) for Fiscal Year 2019.

The Texas Internal Auditing Act (Texas Government Code 2102) requires that a risk-based annual audit plan be developed and approved by the Board of Trustees. The Plan is designed to provide coverage of key risks, given the existing staff and approved budget. Key risks were determined based on a systemic approach incorporating management input, Internal Audit analysis and ERS' strategic objectives.

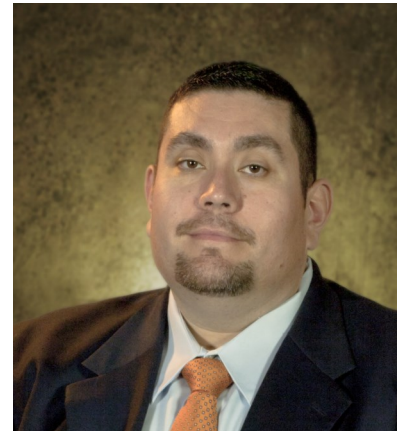
Continuous evaluation of the Plan, based on risks identified, timing of ERS' initiatives and staff availability could result in modifications to the Plan during the year. Amendments to the approved Audit Plan deemed significant will be coordinated with the Executive Director and submitted to the Audit Committee Chair for review and approval.

Sincerely

Anthony Chavez, CIA, CGAP, CRMA  
Director, Internal Audit Division



**APPROVED**  
ERS Board of Trustees  
August 29, 2018



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## FY 2019 PROPOSED ANNUAL INTERNAL AUDIT PLAN

CORE FUNCTION	ENGAGEMENT OBJECTIVE
OPERATIONS	<p><b>Client Reconciliation</b>—To assist in identifying process improvements related to accounting of member contributions. (CONSULTING)</p> <p><b>Financial Opinion Audit</b>—To opine on whether ERS' fiscal year 2018 annual financial statements are free from material misstatement and in conformity with generally accepted accounting principles. (AUDIT)</p> <p><b>Incentive Compensation</b>—To determine if incentive compensation awards were calculated in accordance with ERS' Incentive Compensation Plan. (AUDIT)</p> <p><b>Temporary Workers Contract Management</b>—To determine if contract management of temporary staff vendors ensures compliance with laws, rules and regulations governing contract employment. (AUDIT)</p>
GROUP BENEFITS	<p><b>HealthSelect Contract Administration*</b> —To determine if contract management over the HealthSelect insurance plan ensures member benefits are properly delivered. (AUDIT)</p> <p><b>HealthSelect Financial Management</b>—To determine if contract management over the HealthSelect insurance plan ensures costs are appropriately managed and paid. (AUDIT)</p>
INFORMATION SYSTEMS	<p><b>Data Loss Prevention (DLP)</b>—To determine if DLP activities effectively prevent data loss from internal users. (AUDIT)</p> <p><b>IT Governance</b> - To determine if policies and processes ensure the effective and efficient use of information technology to meet ERS strategic goals and objectives. (CONSULTING)</p>
INVESTMENTS	<p><b>Investment Management Fees*</b> —To attest to the accuracy of reported annual management fees. (AUDIT)</p> <p><b>Private Equity</b>—To determine if investments in private equity are in accordance with ERS Investment Policy. (AUDIT)</p> <p><b>Profit Sharing</b>— To determine if investment funds are effectively and transparently managed and accurately reported. (AUDIT)</p> <p><b>Real Assets-Infrastructure*</b> — To determine if investments in infrastructure are in accordance with ERS Investment Policy. (AUDIT)</p>

\* = Carried over from FY 2018 Audit Plan