



Internal Audit Risk Assessment & Proposed FY22 Annual Audit Plan

August 25, 2021

FROM THE AUDIT DIRECTOR

We are pleased to submit the Internal Audit Risk Assessment and Proposed Internal Audit Plan (Plan) for Fiscal Year 2022.

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 systematic 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



ERS INTERNAL AUDIT DIVISION

To provide independent and objective assurance on the effectiveness of controls and operations to meet ERS' strategic directions.

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FY 22 PROPOSED ANNUAL INTERNAL AUDIT PLAN

CORE BUSINESS	ENGAGEMENT OBJECTIVE
INVESTMENTS	<p>Private Real Estate¹ — <i>To determine if investments in private real estate are in accordance with ERS Investment Policy. (AUDIT)</i></p> <p>Public Equity—Externally Managed —<i>To determine if investments in externally managed public equity are in accordance with ERS Investment Policy. (AUDIT)</i></p>
MEMBER SERVICES	<p>Dental Insurance¹ - <i>To determine if contract management over the dental insurance program ensures member benefits are properly delivered. (AUDIT)</i></p> <p>Budgeting²— <i>To evaluate the planning and managing of ERS Operating Budget. (AUDIT)</i></p> <p>ERS Performance Measure Management—<i>Determine whether ERS is accurately reporting its performance measures to the Automated Budget and Evaluation System of Texas (ABEST) and whether adequate controls exist over the collection, calculation, and reporting of its performance measures. (AUDIT)</i></p> <p>Contact Center—<i>Determine whether the member services delivered via the contact center are delivered timely and accurately. (AUDIT)</i></p> <p>Pension Forecasting¹— <i>To determine if the methodology and assumptions for Pension valuations are reasonable and internally consistent. (AUDIT)</i></p>
INFORMATION SYSTEMS	<p>Security Monitoring & Event Analysis¹—<i>To determine if policies and processes ensure the effective and efficient use of information technology to meet ERS strategic goals and objectives. (AUDIT)</i></p> <p>Cyber Security Framework— <i>Review the cyber security framework to ensure proper security mechanisms are in place and compliant with relevant regulations or best practices. (AUDIT)</i></p> <p>Disaster Recover— <i>Determine if processes and procedures are designed to ensure the continuance of key business functions in the event of a disruption. (AUDIT)</i></p>
ENTERPRISE	<p>Financial Opinion Audit—<i>To opine on whether ERS' fiscal year 2021 annual financial statements are free from material misstatement and in conformity with generally accepted accounting principles. (AUDIT)</i></p>

¹ Audit began in FY21 and carried forward to FY22 Audit Plan

² FY21 carryover, audit was not started