

Meeting of the ERS Board of Trustees Audit Committee

August 23, 2023



Public Agenda Item # 4

Call Meeting of the Audit Committee to Order

August 23, 2023

Public Agenda Item # 5

Consideration of Internal Audit Reports

August 23, 2023

Tony Chavez, Director of Internal Audit

External Call Center Audit

Tony Chavez, Director of Internal Audit

Tressie Landry, Audit Manager

Jonathan Puckett, Audit Lead

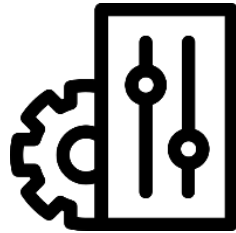
Rodney Valls, Audit Lead

Robin Hardaway, Director of Customer Benefits

Agenda



External Call Center
Overview & Objectives



Key Controls





Observations

External Call Center Objectives



ERS Call Center Overview



| | External Call Center | Internal Contact Center |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Primary Benefit | Staffing Flexibility | Tenured staff for complex topics |
| Types of inquiries | <ul style="list-style-type: none"> • Customer Service • Insurance Enrollment* • Withdrawal | <ul style="list-style-type: none"> • Insurance – other* • ERS Retirement • Other System Services Retirement |
| Avg. Number of FTEs (agents only) | 36 agents  | 29 agents  |

*Beginning May 2023 Vendor began taking certain insurance calls

What members experience when they call?



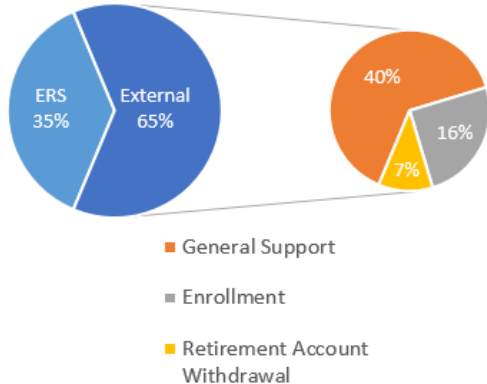
Vendor Overview



Contract began August 2020 with vendor beginning to take calls December 2020



May 2023 vendor begins taking more complex insurance calls



| | Customer Interactions | Expenditures |
|------------------|-----------------------|--------------|
| Contract to date | 684,298 | \$4.13M |
| Monthly Average | 23,885 | \$142,366 |

External Call Center Summary Observations



| SCOPE AREA | Rating | Key Controls |
|---------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| External Call Center Operations | Needs Improvement | <ul style="list-style-type: none">• Performance Guarantees• Training program and Final Training Testing• Call agent quality control reviews• ERS contract management QC evaluations• Call volume forecasts |
| Financial Management | Satisfactory | <ul style="list-style-type: none">• Billed hours reconciled to time-keeping system reports |
| Data Privacy | Satisfactory | <ul style="list-style-type: none">• Background checks• Security training• Software access controls |

Observation: Improve annual vendor reviews with more performance indicator data. (Significant)

- Current review focuses on summary of actions & initiatives taken
- No performance results (trend analysis) of key performance indicators have been included for evaluation or discussion during annual reviews

Timeline of Improvement Initiatives



Results of Improvement Initiatives



| Program Goals | Performance Indicators |
|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quality <ul style="list-style-type: none"> • Customer Surveys • Quality PG | <ul style="list-style-type: none"> • Calls transferred to ERS from vendor • Quality scores by evaluation question • Frequent use of Agent help desk |
| Timeliness <ul style="list-style-type: none"> • Service Level • Abandoned Rate | <ul style="list-style-type: none"> • Percent fully staffed • Attrition rate • Absenteeism rate • Average speed of answer • Percent of forecasted volume |
| Example: | <ul style="list-style-type: none"> • Overall agency staff wellness • Health and Wellness scorecard • Year over year comparisons |

Summary



- Performance Measure data is a key indicator of the health of vendor's performance.
- Are initiatives to aid vendor's performance working?
- Including performance results would allow for an objective assessment of the effectiveness of initiatives.
- Formal presentation on results would aid in governance.

Management Response



- Develop comprehensive annual review
- Ensure key performance indicators are included

Discussion

Continuity of Operations (COOP) Audit

Tony Chavez, Director of Internal Audit

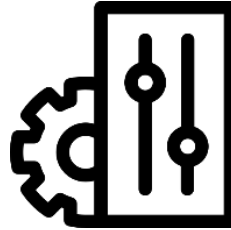
Tressie Landry, Audit Manager

Bernie Hajovsky, Director of Enterprise Planning

Agenda



COOP Overview &
Objectives



Key Controls



Observations

COOP Objectives

- Continue to serve its citizens in the event of a disaster
- Have established Plan in place



State of Texas Essential Functions* (Continuity of Government)

- Maintain law and order
- Ensure availability of emergency services
- Ensure availability of critical services (health, safety, welfare, critical infrastructure)

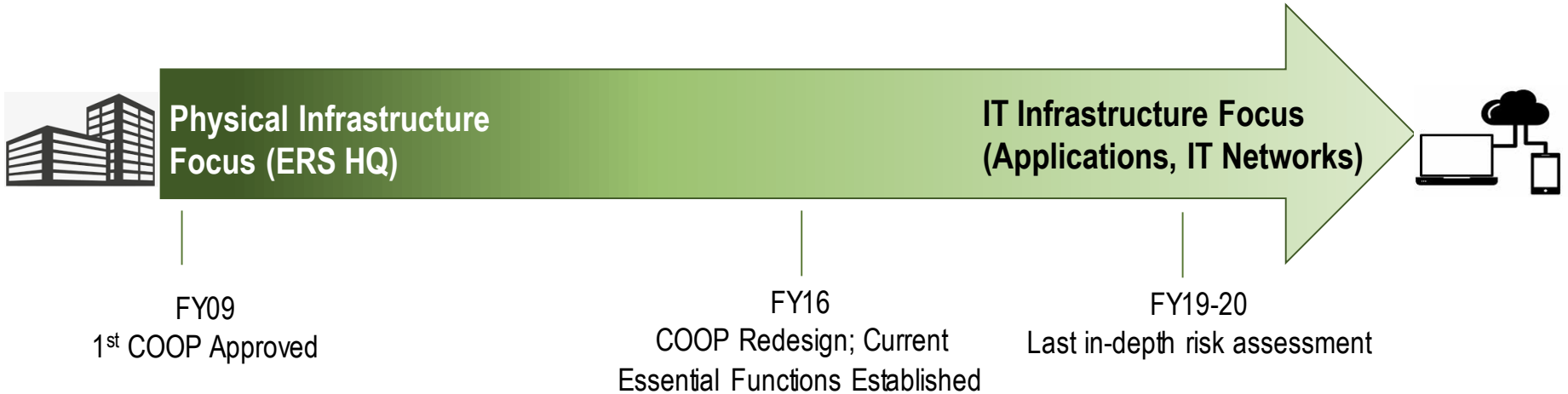
**Texas State Office of Risk Management Continuity Policy Directive*



ERS COOP Objectives



- ERS does not directly support Texas Essential Functions
- Still responsible for continuing to provide essential functions to members
- Not intended to ensure all ERS services
- Those ERS services that are both impactful and **urgent**



COOP Summary Observations

| Scope Area | Rating | Results |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COOP Development | Satisfactory | <ul style="list-style-type: none"> • COOP reviewed bi-annually • COOP periodically submitted to State Office of Risk Management for periodic review • Mission essential functions appropriately identified. |
| COOP Maintenance | Needs Improvement | Scope of current Business Impact Analysis (BIA) should be narrowed |
| <ul style="list-style-type: none"> • BIA utilized focused on broader entity level risks vs. event-specific risks • Limits ability to identify unique characteristics associated with each event • Impacts the effectiveness of the risk mitigation and response. | | |

Business Impact Analysis

(Enterprise vs. Event Risk)



| | ERM (Enterprise) | COOP (Event) |
|---------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Objective | Strategic: Ensure long-term success and <u>sustainability</u> | Operational (Tactical): Ensure essential functions continue in event of a “disaster”; <u>continuity</u> |
| Scope of Analysis | Broad view of all risks, “Big picture” | Specific events or incidents that may occur |
| Methodology | Risk assessment based on several risk factors including both internal and external | Specific events or incidents that may occur |
| Risk Factors – Event Risk | <ul style="list-style-type: none"> - Customer Service - Regulatory - Financial | <ul style="list-style-type: none"> - Ransomware - Natural Disaster |
| Example | Primary Care Physician Annual Physical Vital Statistics; Bloodwork | Specialist – Allergist <ul style="list-style-type: none"> - Specialized Allergy Tests → Peanut allergy - Avoid peanuts (mitigation) - EpiPen medication (Recovery) |

Summary



- Established COOP in place
- All key elements included in COOP
- Event risk analysis over key processes should be more focused for improved mitigation and response plans

- Develop action plans for impacted business and support areas
- Create ransomware test exercises
- Align recovery time objectives (RTOs) with contract requirements for applications supporting essential functions

Discussion

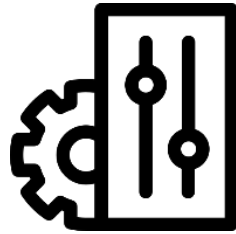
Cloud Governance Audit

Tony Chavez, Director of Internal Audit
Tressie Landry, Audit Manager
Reema Parappilly, Weaver
Chuck Turner, Chief Information Officer

Agenda



Cloud Overview



Key Controls



Observations

Cloud Overview

The objective of a cloud governance program is to ensure the effective utilization of cloud computing resources to meet an organization's business goals and objectives.

Cloud – Accessing information technology (*storage, applications*) remotely (*internet*) instead of on local infrastructure (*on-prem*)

Benefits:

- **Flexibility/Scalability**
- **Remote Access**
- **Enhanced Information Security**
- **Reduced/timely maintenance/upgrade**
- **Lower costs**

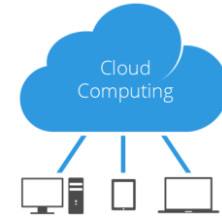
Cloud at ERS

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Applications used by ERS are cloud based



Most ERS cloud applications are resources (not transaction processing)



Applications used by agency employees to process transactions

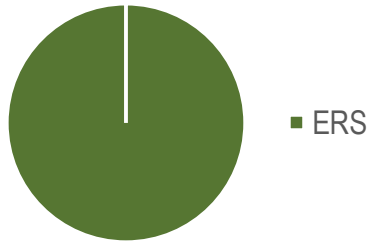


Applications used by vendors to process transactions for ERS

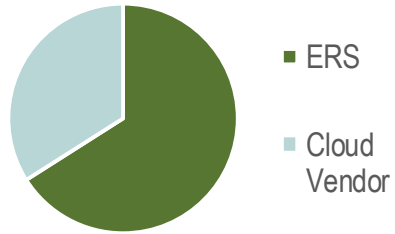
Cloud Overview – Changing Roles



ERS responsibility on premise



ERS responsibility in the cloud



Shifting of Responsibilities: Risk does not go away using the cloud, it get shifted.

Cloud Governance Summary Observations

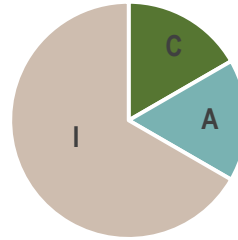


| Scope Area | Rating | Key Controls |
|------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Operations | Satisfactory | <ul style="list-style-type: none">• Procurement process involves Information Systems• All new applications reviewed by Information Systems for compatibility• An inventory of cloud systems is being formalized |

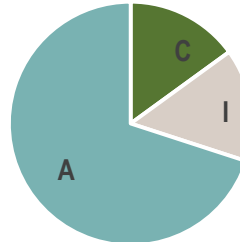
Cloud Governance Observation

| Core Principle | Controls |
|-----------------|---------------------------------|
| Confidentiality | TXRAMP; SOC |
| Integrity | TXRAMP; SOC; Others |
| Availability | TXRAMP; Disaster Recovery Plans |

Application A – Risk Profile



Application B – Risk Profile



Monitoring Plan

- Level 2 TXRAMP certification
- Change management controls

- Full disaster recovery plan and testing results

- Current risk is low based on types of cloud resources used
- Controls are in place to review cloud applications, improvement is needed to assess risk specific to each application

Management Response



- Complete cloud inventory
- Assess cloud applications for significance and enhanced monitoring
- Collaborate with contract managers and Office of Procurement and Contract Oversight to add risk attributes to post-procurement risk assessment
- Develop objective criteria for reviewing vendor audit reports for data security and disaster recovery

Discussion

Public Agenda Item #6

Adjournment of the Audit Committee Meeting

August 23, 2023