

# Meeting of the Audit Committee

December 11, 2024



# Public Agenda Item #30

## *Call Meeting of the Audit Committee to Order*

December 11, 2024

# Public Agenda Item #31

## *Consideration of Internal Audit Reports*

December 11, 2024

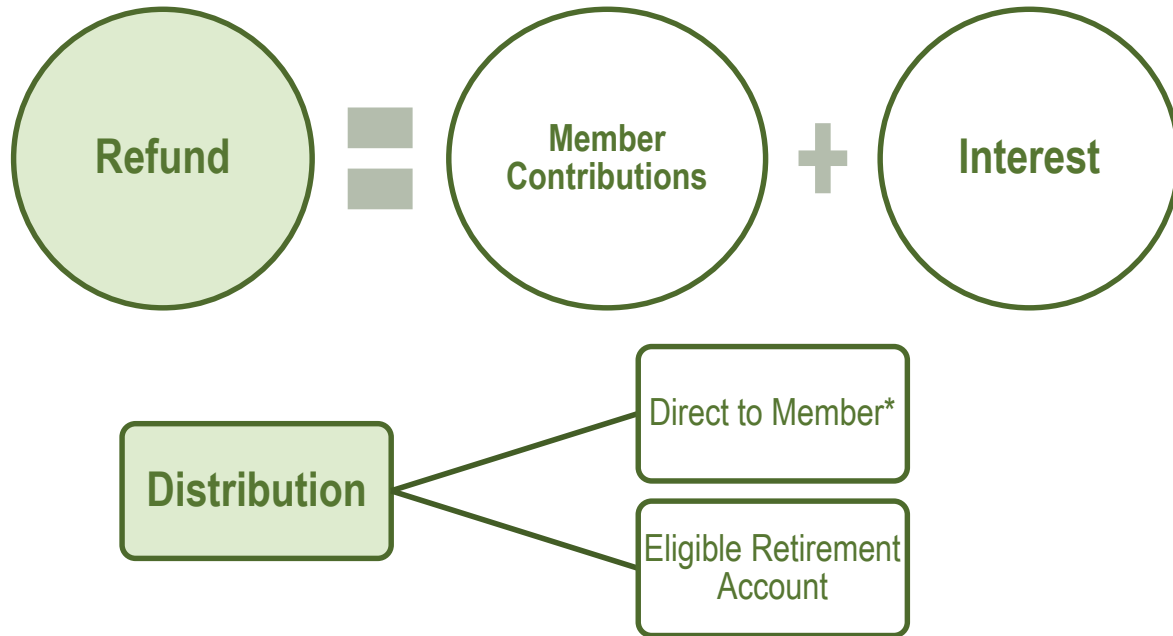
# Retirement Account Withdrawal Audit

Tony Chavez, Director of Internal Audit

Tressie Landry, Audit Manager

Rodney Valls, Auditor

# Retirement Account Withdrawals Background



## Statutory Requirements

- Must not be an active member (employed by state)
- Must be off state payroll for 30 days
- Application for withdrawal must be received prior to the person re-entering state employment
- **No timeliness requirement**

\*If qualified divorce decree will distribute share to appropriate individual

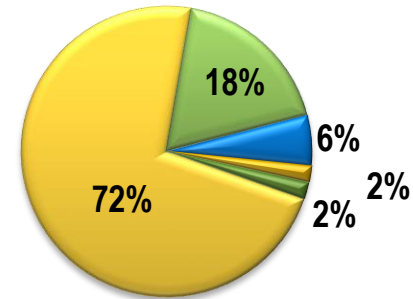
# Retirement Account Withdrawals Background



## CY21-CY24 (partial)

- **\$475,266,018** - total refunds distributed
- **\$11,660** - average refund
- **40,759** - total refunds processed
- **10,190** – annual average withdrawals processed

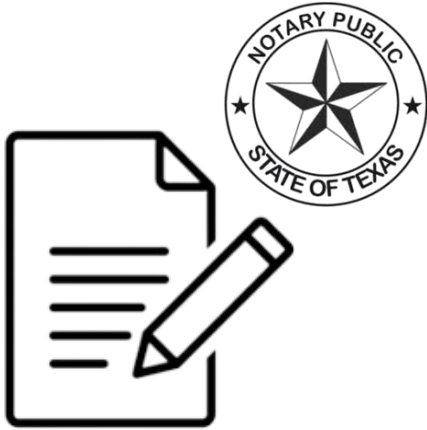
## CY21-CY24 Withdrawals by Years of Service



■ 0-5 ■ 6-10 ■ 11-15 ■ 16-20 ■ over 20

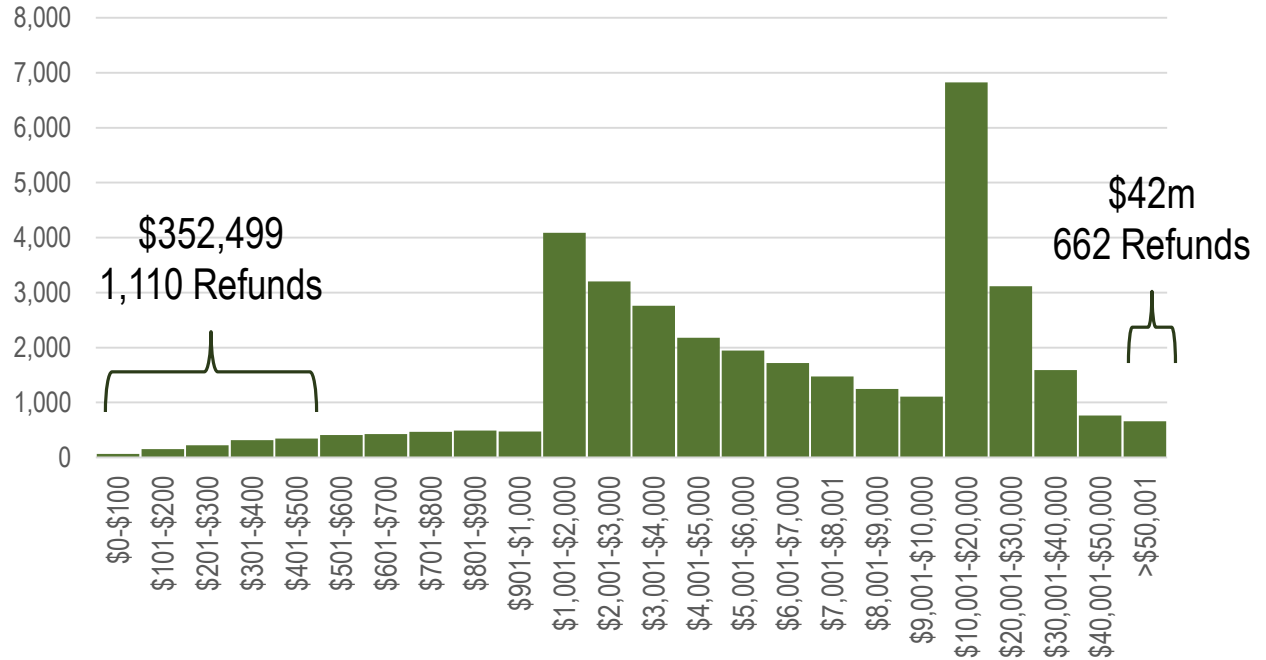
# Retirement Account Withdrawals

## *Observation – Control/Risk Alignment*



Notarized application

Direct Refund Payments CY21-April 2024



# Retirement Account Withdrawals

## *Management Response*



- Management agrees
- Current controls will be evaluated



# Discussion

# Public Agenda Item #32

## *Consideration of Internal Audit Administrative Items*

December 11, 2024

# Annual Audit Performance and Quality Review

Tony Chavez, Director of Internal Audit

Tressie Landry, Audit Manager

# Agenda



Annual Review  
Overview



Standards Update



Internal Audit  
Strategy Overview



Observations

# Annual Review Objectives



Provide **confidence** auditors are performing job effectively based on standards, best practices and Board expectations

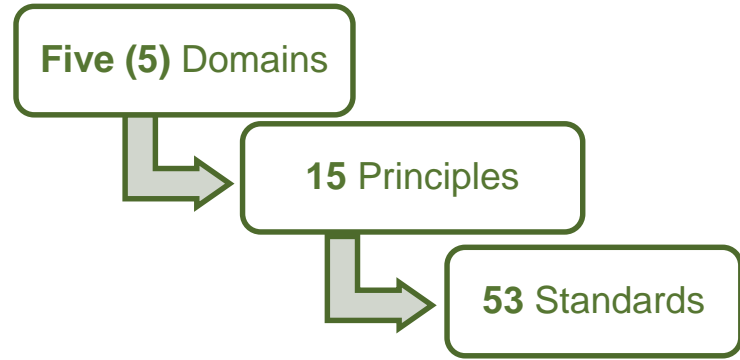
Enhance **understanding** of IA's effectiveness and efficiency

Receive valuable **updates** on key considerations

Gain **reassurance** of IA's efforts in support of strategic objectives

Identify **insights** to improve the IA function

# Global Internal Audit Standards



Governing

- Plans Strategically
- Manages Resources
- Communicates Effectively
- Enhances Quality

# Global Internal Audit Standards



## *Board Deliverables*

### II. Ethics and Professionalism

- Annual Independence Review

### III. Governing IA

- Internal Audit Charter
- Audit Committee Charter
- Annual Performance Review

### IV. Managing IA

- Annual Risk Assessment
- Annual Audit Plan
- Internal Quality Assessment

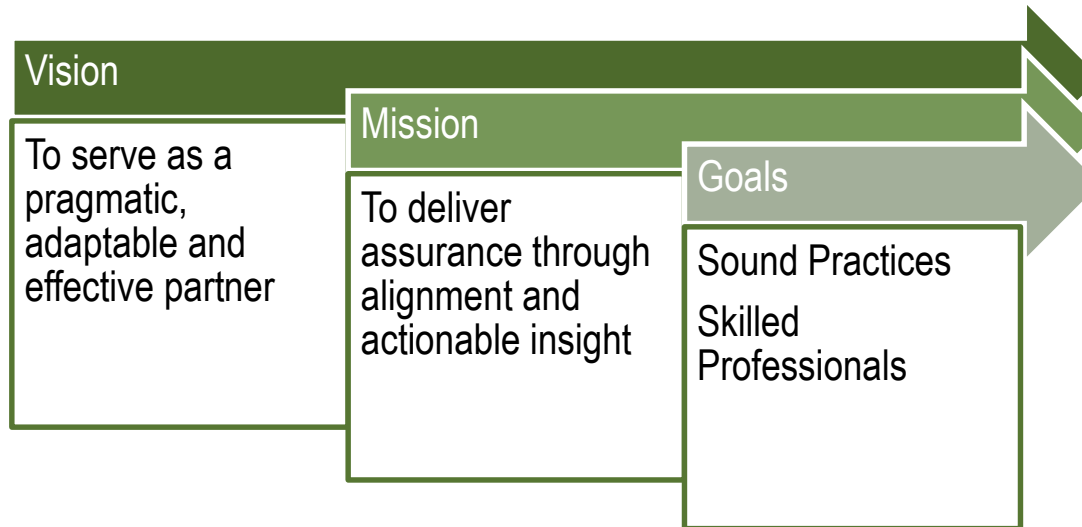
### V. Performing IA Services

- Audit Reports
- Management Action Follow-ups

# Internal Audit Strategy

**“Shift the mindset of internal auditors** from *Purist and Practicalist* to be more *Proactive* by embracing new ideas and new ways of working, and driving change that creates value.”

-Institute of Internal Auditors – Insights to Quality





# Internal Audit Vision



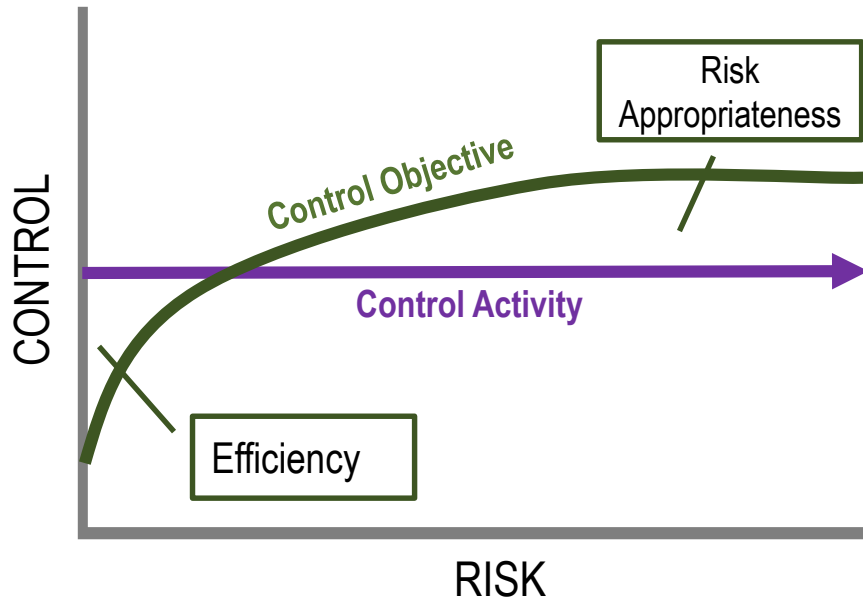
*Pragmatic, Adaptable and Effective*

Traditional Audit	Vs.	ERS Internal Audit Vision
Solely compliance-driven	Focus	Align efforts with both compliance and strategic priorities
Reactive to requirements; short-term fixes; <i>Rearview mirror</i>	Mindset	Address risks or opportunities before they materialize; long-term solutions; <i>Front windshield and rearview mirror</i>
Limited engagement with stakeholders beyond minimal requirements	Collaboration	Actively collaborate with stakeholders to build trust and deliver relevant, tailored solutions
Strict adherence to rules and processes without considering real-world adaptability.	Approach to Work	Anticipate risks, identify opportunities, and initiate actions that add value
Immediate, short-term fixes; <i>Address symptoms</i>	Impact	Sustainable improvements that align with strategic goals; <i>Address underlying cause</i>
Resistant to new ideas, <i>Always done it that way</i>	Innovation	Open to new ideas, technologies, and methods that enhance effectiveness
One size fits all; constrained risk approach	Flexibility	Tailored approach to varying risks and priorities

# ERS Internal Audit Mission



To deliver assurance through alignment and actionable insight.



## Assurance

Control Activity performed as expected (Compliance)

## Alignment

What/why is the program/control objective?

## Insight

Risk exposure; quantifiable impact; Control activity vs. control objective

# IA Goals – Sound Process





Internal Audit  
Manual

Audit Tools &  
Templates

Organizational  
Structure

Quality  
Assurance

## Goal: Drive Value Beyond Compliance

-  Annual Stakeholder (Board/EO) Survey Results
-  Annual Program Staff Survey Results
-  Percent of Audit Findings Addressed
-  Percent of Audit Plan Complete

# IA Goals – Skilled Professionals

## *Auditor Competencies*



### Professionalism

- Ethics
- Objectivity
- Collaboration
- Standard of Conduct
- Leadership
- Time Management

### Knowledge

- Audit Standards
- State Government (Regulatory)
- Governance (Internal Controls)
- Risk Management
- Strategic Management
- Performance Management

### ERS Business Acumen

- General (Accounting, Finance)
- Information Technology
- Employee Benefits
- Pensions
- Insurance
- Investments

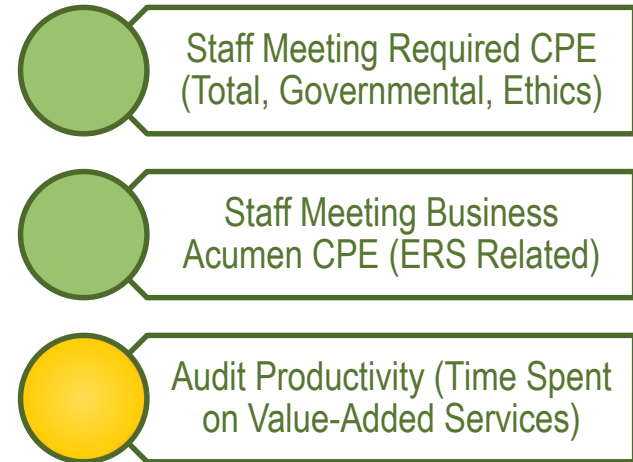
### Audit Delivery

- Business Knowledge
- Control Design
- Procedure Development
- Data Analysis
- Risk Analysis
- Audit Evidence Assessment
- Communication

# IA Goals – Skilled Professionals



**Goal:** Develop a High-Performing Audit Team



# Key Takeaways



- Implemented New Audit Standards
- Updated Audit Processes
- Continue development/training
- Hiring

# Discussion

## Public Agenda Item #33

### *Executive Session –*

*In accordance with Section 551.074, Texas Government Code, the Board of Trustees will meet in executive session to deliberate the employment, evaluation, and duties of the Internal Auditor. Thereafter, the Board may consider appropriate action in open session.*

December 11, 2024



## Public Agenda Item #34

*Reminder Regarding Future Meetings of the Board of Trustees,  
Investment Advisory Committee, and Audit Committee*

December 11, 2024

## Fiscal Year 2025 Meeting Dates

2-day Workshop:

Tuesday, December 10, 2024

Wednesday, December 11, 2024

**Wednesday, March 5, 2025**

Wednesday, May 21, 2025

Wednesday, August 20, 2025

# Discussion

## Public Agenda Item #35

### *Adjournment of the Audit Committee Meeting*

December 11, 2024