



## Internal Audit Risk Assessment & Proposed FY21 Annual Audit Plan

August 19, 2020

### FROM THE AUDIT DIRECTOR

We are pleased to submit the Internal Audit Risk Assessment and Proposed Internal Audit Plan (Plan) for Fiscal Year 2021.

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 21 PROPOSED ANNUAL INTERNAL AUDIT PLAN

CORE BUSINESS	ENGAGEMENT OBJECTIVE
INVESTMENTS	<p><b>Internal Public Equity*</b> – To determine if public equity investments managed internally by ERS investments staff are in accordance with ERS Investment Policy. (AUDIT)</p> <p><b>Private Real Estate</b> – To determine if investments in private real estate are in accordance with ERS Investment Policy. (AUDIT)</p> <p><b>Alternative Investments Funding</b> – To determine if contributions to ERS’ alternative investment general partners are properly processed. (AUDIT)</p>
MEMBER SERVICES	<p><b>Deferred Compensation Program (Texa\$aver)*</b> –To determine if contract management over the Texa\$aver program ensures member benefits are properly delivered. (AUDIT)</p> <p><b>Survivor Benefits*</b>– To determine if survivor benefits are processed accurately, timely and in accordance with statutory requirements. (AUDIT)</p> <p><b>Dental Insurance</b> – To determine if contract management over the dental insurance program ensures member benefits are properly delivered. (AUDIT)</p> <p><b>Qualified Domestic Relations Orders</b> – To determine if benefits are processed in accordance with legal orders following a divorce or legal separation. (AUDIT)</p> <p><b>Budgeting</b>– To evaluate the planning and managing of ERS Operating Budget. (AUDIT)</p> <p><b>Property Management Accounting</b> – To determine if accounting treatment for capital projects are in accordance with general accepted accounting standards. (CONSULTING)</p> <p><b>Pension Forecasting</b>–To determine if the methodology and assumptions for Pension valuations are reasonable and internally consistent. (AUDIT)</p>
INFORMATION SYSTEMS	<p><b>COVID IT Action Review</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> <p><b>Security Monitoring &amp; Event Analysis</b> – To determine if events, errors and alerts are properly logged, monitored and analyzed for high risk systems to ensure the security of information. (AUDIT)</p>
MULTIPLE	<p><b>Financial Opinion Audit</b>–To opine on whether ERS’ fiscal year 2019 annual financial statements are free from material misstatement and in conformity with generally accepted accounting principles. (AUDIT)</p>

Internal Audit performs multiple types of audit engagements that provide various levels of service and assurance. Each engagement type has unique performance and reporting requirements to comply with audit standards. Standard project engagement types include:

**AUDITS (75%)** - Nature and scope of the engagement determined by Internal Audit; Highest level of assurance; Deliverable: Report for public distribution

**CONSULTING (15%)** - Nature and scope of engagement subject to agreement with audit customer; No assurance provided; Deliverable: report or memo with limited distribution.

**AGREED UPON PROCEDURES (5%)**- Specific procedures agreed to between management and Internal Audit to perform and report on the results; Lowest level of assurance; Deliverable: Report or memo for public distribution

**INFORMAL CONSULTING (5%)** - Ad-hoc assistance; Subject matter expert input ; Deliverable: Verbal discussions or memo to management.