

Public Agenda Item #3
Review of External Audit Reports

December 8, 2020

Tony Chavez, Director of Internal Audit

Texas State Auditor's Office Report on Incentive Compensation

SAO – Incentive Compensation Audit



Audit Information:

- Annual Audit
- Includes multiple agencies

ERS Information:

- ERS awarded almost \$4m to 74 employees in Plan Year 2019
- All awards payable over 3 years



An Audit Report on
**Incentive Compensation at the
Permanent School Fund, General Land
Office, Teacher Retirement System, and
Employees Retirement System**

August 2020
Report No. 20-040

SAO – Incentive Compensation Audit - Results



Chapter 4
Rating:
Low ⁶

ERS Calculated and paid Plan Year 2019 incentive compensation in accordance with its policies and procedures, but it should further strengthen controls over its calculation and review process

SAO Rating Legend:

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited, <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Questions?