

Public Agenda Item #3

Consideration of External Audit Reports

August 24, 2022

Tony Chavez, Director of Internal Audit

Chris Rogers, Managing Principal, CLA



Employees Retirement System of Texas

2022 Audit Entrance Conference

August 24, 2022



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Agenda

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Key Engagement Team Members



Scope



ERS August 31, 2022 Financial Statements



ERS August 31, 2022 GASB No. 68 Report



ERS August 31, 2022 GASB No. 75 Report



Auditor (CLA) Responsibilities

Conduct the audit in accordance with U.S. GAAS and *Government Auditing Standards*

Express an opinion on whether the financial statements and GASB 68 and GASB 75 Schedules are presented in accordance with U.S. GAAP

Provide report on internal control over financial reporting and compliance with laws, regulations, contracts and grants which could have a direct and material impact on the financial statements and Schedules

Communicating our identification of significant risks of material misstatement

Communicating certain other matters to the Board in a formal communication



Management Responsibilities

Fair presentation of financial statements and schedules in accordance with GAAP

Design and implementation of internal control over financial reporting and compliance

Provide unrestricted access to information and personnel requested for audit

Take timely and appropriate steps to remedy fraud, abuse and noncompliance

Provide a representation letter at the conclusion of our audit



Significant Risks and Responses

Management Override of Controls

- Properly assign and supervise audit team
- Examine journal entries and significant, unusual transactions
- Incorporate an element of unpredictability to the audit

Valuation & Existence of Alternative Investments

- Confirmation with fund managers and recalculation of investment based on audited fund financial statements

Actuarial Valuation

- Evaluate and determine methods and assumptions used are in accordance with GASB Statement No.'s 67 and 74 and the Actuarial Standards of Practice

Employee Turnover

- Increased supervision and review over impacted operation areas



Audit Timeline

Key Milestones	Dates
Initial Planning	July 2022
Preliminary Fieldwork (e.g., internal control testing, fraud inquiries, etc.)	July through August 2022
Primary Fieldwork (e.g., substantive testing of financial statement amounts)	October through November 2022
Issuance of Financial Statements	December 9, 2022 target date
Presentation to ERS Board	March 2023
Testing of GASB 68 and 75 Schedules	March through May 2023
Issuance of GASB 68 and 75 Schedules	May 2023



Board Discussion

- Recognizing importance of two-way communication, we encourage you to provide us with information you consider relevant to the audit. This could include, but is not limited to the following:
 - ERS' objectives and strategies and the related business risks that could result in material misstatement
 - Your understanding of the risks of fraud and the controls in place to prevent and detect fraud
 - Other matters you consider relevant to the financial statements



Open Forum/Questions



Questions?