



Audit Committee Meeting
December 6, 2022



Presented for Review and Approval
March 1, 2023

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**AUDIT COMMITTEE MEETING
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
December 6, 2022**

TRUSTEES PRESENT

Neika Clark, Audit Committee Chair
Brian Barth, Member
Craig Hester, Member
Dr. James Kee, Member
Catherine Melvin, Member
John R. Rutherford, Member

ERS DIRECTORS PRESENT

Porter Wilson, Executive Director
Cathy Terrell, Deputy Executive Director
Jennifer Chambers, Director of Government Relations & Special Projects
Tony Chavez, Director of Internal Audit
Bernie Hajovsky, Director of Enterprise Planning
Cynthia Hamilton, General Counsel
Robin Hardaway, Director of Customer Benefits
Shack Nail, Director of Special Projects & Policy Advisor
Machelle Pharr, Chief Financial Officer
Gabrielle Schreiber, Director of Procurement and Contract Oversight
DeeDee Sterns, Director of Human Resources
Kathryn Tesar, Director of Benefits Communications
Chuck Turner, Director of Information Systems
David Veal, Chief Investment Officer

ERS STAFF PRESENT

Jason Avants, Information Systems
Raquel Colón, Investments
Kurt Cressotti, Internal Audit
Anthony Curtiss, Investments
Kelley Davenport, Executive Office
Cyprain Ihekwoaba, Internal Audit
Tiffani Jenkins, Benefits Communications
Lanesia Jones, Investments
Tressie Landry, Internal Audit
Jonathan Puckett, Internal Audit
Rodney Valls, Internal Audit

ALSO PRESENT

Austin Holder, Office of Governor
Reema Parapilly, Weaver

Meeting of the ERS Board of Trustees Audit Committee

1. Call Meeting of the Audit Committee to Order

Ms. Neika Clark, Chair of the Audit Committee of the Employees Retirement System of Texas (ERS), noting a quorum was present, called the meeting to order at 9:00 a.m. on Tuesday, December 6, 2022 and read the following statement:

“A public notice of the ERS Board of Trustees’ Audit Committee meeting containing all items on the proposed agenda was filed with the Office of the Secretary of State at 1:21 p.m. on Monday, November 28, 2022, as required by Chapter 551 Texas Government Code, referred to as “The Open Meetings Act.”

2. Consideration of the Minutes to the August 24, 2022 Audit Committee Meeting – (ACTION)

Chair Neika Clark opened the floor for a motion on the approval of the minutes from the August 24, 2022 ERS Audit Committee meeting.

Move that the ERS Board of Trustees Audit Committee approve the minutes to its meeting held on August 24, 2022.

Motion by Craig Hester, second by Catherine Melvin

Final Resolution: Motion Carries

Aye: Craig Hester, Brian Barth, Neika Clark, Jim Kee, Catherine Melvin

Abstained: John R. Rutherford

3. Consideration of Internal Audit Reports

Disaster Recovery Audit

Tony Chavez, Director of Internal Audit, introduced Tressie Landry, Internal Audit Manager, and Reema Parappilly, Partner with Weaver, to discuss the results of the Disaster Recovery Audit. The objective of the audit was to determine if processes and procedures are designed to ensure key systems can resume in the event of a disruption.

Ms. Landry explained that disaster recovery is a component of business continuity and involves the restoration of key systems that are hosted at ERS’ datacenter. Since ERS has an offsite datacenter, the disaster recovery plan would be activated if an event occurred at the datacenter.

Overall the results of the audit were satisfactory, with one observation related to communication of annual disaster recovery plan testing results.

The results of annual testing were communicated to executive management. The observation states that communication should include business owners in order to promote realistic expectations of a recovery in the event of an actual disruption. In addition, communicating testing results would be an opportunity for business owners to update Information Systems’ management of any changes to critical systems.

Disaster recovery is a part of the Texas Cybersecurity Framework in the Recover Functional Area. Maturity ratings are required by the Texas Department of Information Resources. Internal audit assessed the rating and agreed with a maturity level of four which means the task is managed at a risk-based level with an established framework.

No action was required on this agenda item.

4. Consideration of Audit Administrative Items

Annual Audit Performance and Quality Review

Tony Chavez, Director of Internal Audit, reviewed the annual performance of Internal Audit based on standards and best practices, and the expectation of the Audit Committee members. The assessment process includes an evaluation of quality, achievement of performance measures, and a presentation of results to the Audit Committee. The review culminates with the Board's annual review of the Director of Internal Audit, following The Institute of Internal Auditor's Assessment Tool for Audit Committees. Internal Audit does an internal quality review each year. A review done by an external party is done every three years.

Internal Audit's strategic goals of Practices, Performance and People align to the organization's strategic goals. Internal Audit reviews are used to provide assurance on controls used to enhance agency performance and accountability, in addition to supporting the goal of informed decision making through providing information to executive management and the board.

Overall, Internal Audit is meeting its goals, but has identified areas of improvement and is working toward more efficient processes.

Internal audit has two new audit members that were introduced by Mr. Chavez, Cyprain Ihekwoaba and Rodney Valls.

No action was required on this agenda item.

5. Adjournment of the Audit Committee Meeting

The Audit Committee meeting adjourned at 9:44 a.m. on Tuesday, December 6, 2022