



Audit Committee Meeting
August 23, 2023



Presented for Review and Approval
December 5, 2023

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**AUDIT COMMITTEE MEETING
EMPLOYEES RETIREMENT SYSTEM OF TEXAS
August 23, 2023**

TRUSTEES PRESENT

Dr. Jim Kee, Board Chair
Brian Barth, Vice Chair
Neika Clark, Member
I. Craig Hester, Member
Catherine Melvin, Member
John 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 Auditor
Bernie Hajovsky, Director of Enterprise Planning Office
Cynthia Hamilton, General Counsel
Robin Hardaway, Director of Customer Benefits
Shack Nail, 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

Cynthia Acosta Valdez, Customer Benefits
Georgina Bouton, Group Benefits
Raquel Colon, Investments
Kurt Cressotti, Investment Compliance
Kelley Davenport, Executive Office
Marcia Gibbs, Benefits Communications
Trudy Hill, Operations Support Services
Tiffani Jenkins, Benefits Communications
Tressie Landry, Internal Audit
Dani Levrie, Benefits Communications
Jonathan Puckett, Internal Audit
Meghann Robinson, Customer Benefits
Samantha Ramirez, Investments
Evelin Ramos, Investments
Ben Schuman, Investments
Bernie Stewart, Customer Benefits

ALSO PRESENT

Reema Parapilly, Weaver

Meeting of the ERS Board of Trustees Audit Committee

4. 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 8:32 a.m. on Wednesday, August 23, 2023.

“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 2:47 p.m. on Tuesday, August 15, 2023, as required by Chapter 551 Texas Government Code, referred to as ‘The Open Meetings Act.’”

5. Consideration of External Audit Reports

External Call Center Audit

ERS Internal Audit Director Tony Chavez introduced Tressie Landry, Internal Audit Manager, and Rodney Valls, Internal Auditor, to present the audit of the External Call Center. The audit objective was to determine if oversight of the ERS External Call Center ensures services are in accordance with contractual requirements to meet customer service objectives.

The External Call Center is an outsourcing of select member inquiries. The types of calls that the vendor receives is increasing with the transfer of more complex insurance calls to the vendor. Monthly, the External Call Center receives about 29,000 calls related to customer service, insurance enrollment and account withdrawals.

The overall result was Satisfactory because controls are in place to ensure calls are handled appropriately, invoices are paid accurately and privacy of member data is maintained; however, one observation was reported:

Observation 1: Improve annual vendor reviews with more performance indicator data. (Significant)

An annual vendor performance review focuses on summary of actions and initiative taken and did not include performance results of key performance indicators.

Internal Audit recommended that the Customer Benefits division coordinate with the vendor to develop a comprehensive review and discussion of key performance indicators to measure the critical attributes of existing performance measures.

Continuity of Operations (COOP) Audit

The audit objective was to determine if processes and procedures are in place to ensure essential services continue to be provided in the event of a disruption.

COOP planning is required of all state agencies and has the goal of ensuring critical services can be provided to citizens if a disaster occurs. While mission and functions of ERS are very important to our members, none of the ERS mission essential functions directly support those of the State of Texas, which address the safety of citizens and continuation of the government.

The overall result was Satisfactory because controls are in place to ensure continuity of mission essential functions in the event of a disruption; however, improvements were recommended for the business analysis process in one observation:

Observation 1: Scope of current Business Impact Analysis (BIA) should be narrowed to allow for a more detailed assessment and response to event-level disruptions. (Significant)

The current BIA incorporates a broader, entity-level risk that encompasses the entire organization rather than addressing the event-specific risks related to delivering key services.

Internal Audit recommended that the Enterprise Planning Office incorporate an event-level impact analysis, evaluate recovery time objectives to ensure alignment with internal and external resources and ensure recovery strategies include detailed action plans to restore operations.

Cloud Governance Audit

The audit objective was to determine if procedures are in place to ensure cloud management vendors adhere to ERS standards for availability and security.

Cloud computing is on-demand access to information technology (networks, storage, applications, etc.) instead of through on-premise, local infrastructure. It introduces a shift in responsibility between ERS and the cloud provider (vendor) and identifying, and documenting respective responsibilities in the contract is key to effective cloud governance.

The overall rating was Satisfactory because, for the level of risk faced by the agency, the control environment is designed appropriately. One observation was reported:

Observation 1: Continue to Mature Cloud Governance. (Moderate)

The Information Systems division has a basic framework for cloud governance which includes a comprehensive inventory of cloud computing resources. However, a risk assessment for those applications has not been developed to identify which systems are higher risk for data security and disaster recovery.

Internal Audit recommended that a risk assessment be performed on the population of cloud computing resources to identify which systems are highest risk and therefore require additional monitoring.

6. Adjournment of the Audit Committee Meeting

The Audit Committee meeting adjourned at 9:04 a.m. on Wednesday, August 23, 2023.