

Public Agenda Item #4

Review of Internal Audit Reports

March 11, 2020

Tony Chavez, Director of Internal Audit

IT Governance Review

Tony Chavez, Director of Internal Audit

Tressie Landry, Audit Manager, Internal Audit

Jonathan Puckett, Project Lead, Internal Audit

IT Governance Review



Background

Project Objective: To determine if policies and processes ensure the effective and efficient use of information technology to meet ERS strategic goals and objectives.

Program Objective: To understand the risks / controls used to achieve IT objectives to help ensure that they are aligned with business objectives.

IT Governance Review

Background



What is IT Governance?



IT Governance Review



Background

Best practices suggest IT Governance focus on:

- Aligning IT strategies with organizational objectives/goals
- Identifying and managing risk
- Optimizing IT investments to deliver value to the agency
- Defining, measuring, and reporting performance through meaningful metrics
- Managing IT resources effectively

IT Governance Review

Summary Results



- Overall, IT governance at ERS is adequately established to allow management to achieve stated goals and objectives.

Best Practices:

- Aligning IT strategies to organizational goals
- Identifying and managing risk
- Optimizing IT investments
- Managing IT resources effectively
- Defining & reporting performance metrics

ERS IT Governance Processes:

- Annual project planning & budget meetings
- Weekly directors meetings
- Meetings with IS BA's & division leadership
- Project manager meetings with IS BA's
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ERS IT Governance Processes:

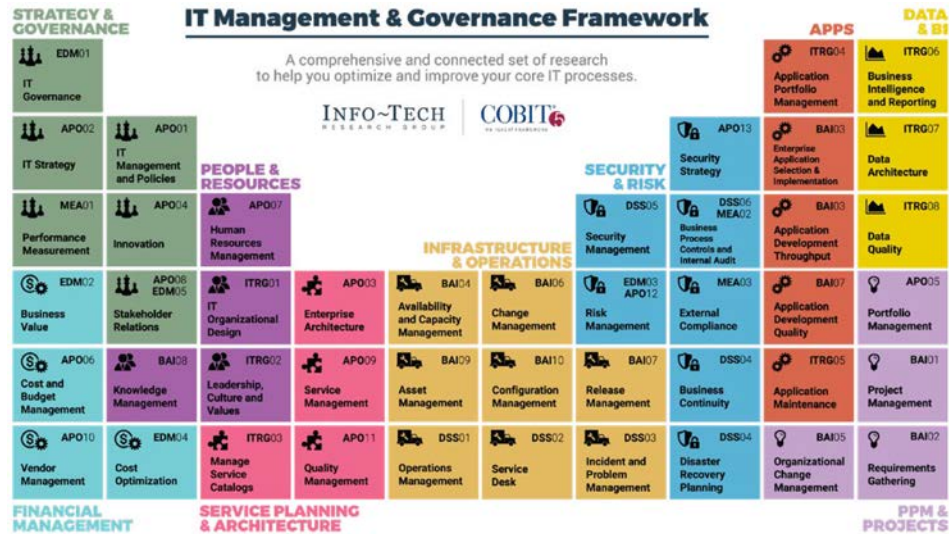
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IT Governance Review

Summary Results



- **Improvement** – Identifying and improving communication of strategic metrics would provide insight into effectiveness of IT Governance



IT Governance Review



Summary Results

- **Improvement** – Identifying and improving communication of strategic metrics would provide insight into effectiveness of IT Governance
- Survey used to help narrow which metrics are most important to ERS
 - Participation (100%) in survey outlined below:

IT Governance Survey Responses		
Directors	Executive Office	IS Management
12	3	6

IT Governance Review



Summary Results

Survey – IT governance key takeaways:

- Strategy – support each division to perform its best
- People & Resources – complete critical tasks with adequate resources
- Infrastructure – optimal tools accessible and minimal disruptions
- IT Service – resolve issues timely and prevent cybersecurity threats

IT Governance Review



Recommendation

- Use survey results to determine appropriate performance metrics and frequency of reporting
 - Metrics should include definitions, calculation methodologies, targets, and reporting frequencies.

Questions?

Status of Audit Recommendations

Tony Chavez, Director of Internal Audit

Tressie Landry, Audit Manager, Internal Audit

Status of Audit Recommendations



Methodology

- Process owner self-assessment and information sharing
- Internal Audit review and evaluation

Status Levels

- Implemented
- Partially Implemented
- No Action Taken
- Management Acceptance

The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

~Institute of Internal Auditors standard 2500.A1

Summary



Audit Engagement	Observation #	MAP Owner	MAP Status
Hedge Funds	2	Director of Hedge Funds	Implemented
Real Assets – Infrastructure	1	Director of Infrastructure	Implemented
Real Assets – Infrastructure	2	Director of Infrastructure	Implemented
HealthSelect SM of Texas [®] Denial Process	2	Assistant Director of Group Benefits	Implemented

Real Assets - Infrastructure



Observation 1 – Key information unavailable to support performance incentive benchmarks (Significant)

Recommendation	Implementation Actions
<ul style="list-style-type: none">• Retain documentation• Document factors for benchmarks• Communicate basis for ICP target	<ul style="list-style-type: none">• Documentation to support benchmarks and target retained• Additional details included in ICP goal memo• Change to performance metric

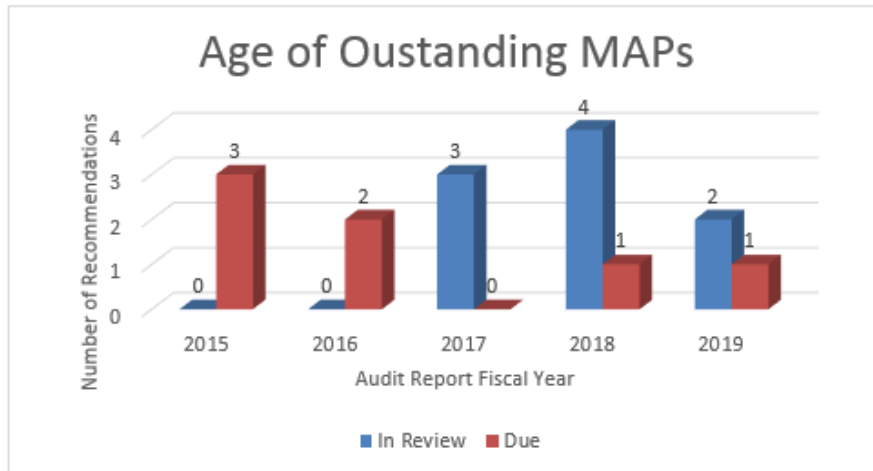
Real Assets - Infrastructure



Observation 2 – Select investments included in the ICP goal calculation do not align with ERS' Incentive Compensation Plan objectives (Significant)

Recommendation	Implementation Actions
<ul style="list-style-type: none">Evaluate the inclusion of legacy investments	<ul style="list-style-type: none">Plan Year 2020 goal memo excluded legacy investments

Outstanding Recommendations



In review – audit staff have requested the status from program area

Due – audit staff has not yet contacted program staff for updated status

Controls have been updated to align with changes in program activity.

Questions?