

Public Agenda Item #2c

Presentation, Discussion and Consideration of
Audit Committee Agenda Items:

Internal Audit Administrative Items

August 16, 2016

Tony Chavez, Director, Internal Audit Division

Risk Assessment and Proposed FY2017 Audit Plan

Tony Chavez, Director, Internal Audit Division
Jonathan Puckett, Internal Auditor
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Risk Assessment & proposed FY2017 Audit Plan



**A risk-based
audit plan must
be established**
(Gov. Code Chapter 2102)

Identify Risks



Measure Risks



Prioritize Risks



**Select and Develop Proposed
Audit Plan**

Audit Universe Revisions



| ERS MEMBER SERVICES AUDIT UNIVERSE | | |
|--|---|---|
| Operations | Group Benefits | Retirement |
| Enterprise Management Branding Continuity of Operations Enterprise Planning Enterprise Risk Management Governance Legislative Coordination Management Communication Media Relations Policy Protocol Stakeholder Outreach Strategic Planning | Administration Benefits Training & Education (External) Benefits Training & Education (Employee) Customer Benefits Procurement Customer Service Workflows Management CSP Evaluation and Offerings GSP Procurement Medicare Secondary Payer Program Social Security Administration (Section 218) State Agency Benefit Support Uninsured 401(k) | Administration Benefits Training & Education (External) Benefits Training & Education (Employee) Customer Benefits Procurement Customer Service Workflows Management State Agency Benefit Support Actuary Services |
| Finance Accounts Payable Agency Payroll Budget Daily Cash Processing Financial Reporting (CAP) Investment Accounting Investment Reporting Legislative Reporting Procurement Treas | Information Technology BI Data Warehouse ERS Online - Ben Admin | Member Services Special Retirement Member Counseling Member Outreach One-Time Payments (Retrofits) Qualified Domestic Relations Orders (QDRO) Service Credit Purchase Specialty Retirement Processing Standard Retirement Payments Standard Retirement Processing Survivor Benefits |
| General Administration Facility Management Mail Operations/Property Receiving Physical/Bulding Security Print Production & Management Property and Supply Management Public Information Act Records, Retention & Disposal Social Media Administration | Member Services Benefits Insurance Processing Grievance Administration Member Counseling Member Outreach Qualified Domestic Relations Orders Specialty Insurance (COBRA, Higher Ed) Wellness Program | Program Management Pension Contributions (Collections, Service Reconciliations) Tax-Free Contributions (Collections) |
| Human Resources Alternative Work Scheduling Agency Workforce Planning Employee Training & Development Hiring & Recruitment HR Administration (Benefits, HRIS) Personnel Programs and Compliance | Program Management Administrative Appeals Debt Collection Dental Insurance (DHMO, PPO, Discount) Dependent Eligibility Disability Insurance (TPD) Discount Purchase Program Flexible Spending Accounts (FSA) GSP Subrogation Health Insurance (HealthSelect) Health Insurance (SMC) Insurance Contributions Life Insurance (Basic/Optional/Dependent) Medicare Advantage (HealthSelect/M, KerenCare) Medicare Prescription Drug (CDMP) Member Services Overflow (Call Center) Prescription Drug Program (HealthSelect) Special Coverage Benefits (Chaparral) Vendor/Partner Communication Management Vision Program | Direct Compensation (Tax-Free) |
| Information Technology Disaster Recovery Financial Systems Support IS Governance IS Procurement IS Support Services (Help Desk) Network Services Network Security (Cybersecurity) Project/Financials PeopleSoft HR SharePoint Web Administration | | |
| Legal Compliance & Ethics Fraud/Asset Recovery Legislative Compliance Litigation/Dispute Resolution Contract Management/Development | | |

Not to be used without written EA Director approval
 Proposed FY 2025 Audit Plan

Effective: 7/13/2015

- Previously three core business functions with IT audit units embedded
- Information Technology now a stand-alone core business function
- Development of specific IT risk criteria
- Adoption of *Texas Cybersecurity Framework*
- Coordinated with input from CIO

Audit Universe Revisions



Information Systems

Security

Identify Risks
Protect Critical Infrastructure
Detect Cybersecurity Events
Respond To Detected Cybersecurity Events
Recover Impaired Critical Infrastructure Services

Administration

Asset Management
Governance
Project Management

Operations

Benefit Administration

BI Data Warehouse
ERS Online - Benefits Administration
ERS Online - Pension
Interactive Voice Recognition (IVR)
PeopleSoft Investments

Change & Configuration Management

Applications
Databases
Infrastructure

Financial Administration

ERS Online - Payroll
PeopleSoft Financials
Time Management System

Operations Administration

Complaint and Issue Tracking
ERS Public Website
PeopleSoft Human Resources

Service Desk (Help)

Service Request Management and Tracking

Vendor Support

Problem Management

Proposed FY 2017 Internal Audit Plan



| Function | Engagement |
|---------------------|--|
| Operations | Ethics Procurement Cards Financial Opinion Audit |
| Group Benefits | Contract Management – HealthSelect |
| Retirement | Revenue-Processing State Agency Contribution Standard Retirements Pension Actuary |
| Information Systems | Privacy Incident Response |
| Investments | Incentive Compensation Investment Governance Investment Compliance Procedures Review Quarterly Investment Compliance Procedures |

Auditor Independence

Tony Chavez, Director, Internal Audit Division

Internal Audit Independence



Internal Audit is free from interference by any element of the organization including matters of audit selection, scope, procedures, frequency, timing, or report content.



Internal Audit has not implemented internal controls, developed procedures, installed systems, prepared records, or engaged in any other activity that may impair its judgment.



Internal Audit staff affirmed they are free from personal or external impairments that would impact auditor opinions, conclusions, and recommendations.

Questions?