

April 2025

# ASSURANCE

## Audit, Compliance & Ethics Committee Meeting



**Teacher Retirement System of  
Texas**

1000 Red River Street  
Austin, Texas  
78701-2698

**TEACHER RETIREMENT SYSTEM OF TEXAS  
BOARD OF TRUSTEES  
AND  
AUDIT, COMPLIANCE AND ETHICS COMMITTEE**

*All or part of the April 11, 2025, meeting of the TRS Audit, Compliance and Ethics Committee and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have a quorum and the presiding officer physically present at the following location, which will be open to the public during the open portions of the meeting: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5<sup>th</sup> Floor, Boardroom.***

*The open portions of the April 11, 2025, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at [www.trs.texas.gov](http://www.trs.texas.gov). A recording of the meeting will be available at [www.trs.texas.gov](http://www.trs.texas.gov).*

**AGENDA**

**April 11, 2025 – 9:15 a.m.**

1. Call roll of Committee members.
2. Approve minutes of December 2024 Audit, Compliance and Ethics Committee meeting - Chair.
3. Receive TRS Compliance reports including those related to ethics and fraud, conflicts of interest, and investment policies and the Enterprise Risk Management Update– Heather Traeger, Chris Bowlin and Michelle Pagán.
4. Consider recommending to the Board of Trustees proposed revisions to the Fiscal Year 2025 Audit Plan – Amanda Jenami.
5. Receive Internal Audit reports:
  - A. Review Energy Natural Resources and Infrastructure Portfolio Operations – Katie Linczer and Carolyn Hansard
  - B. Review of Contract Oversight – Information Security Office – Cui Rye and Kathy Bridgeman
  - C. Status of Prior Audit Recommendations – Jonathan O’Reilly
  - D. Audit of Access Control Management – Stephen Randall, Chris Cutler and Frank Williams.
6. Discuss or consider Internal Audit and TRS Compliance administrative reports and matters related to governance, risk management, internal control, compliance violations, fraud, regulatory reviews or investigations, fraud risk areas, audits for the annual internal audit plan, or auditors' ability to perform duties – Chair, Amanda Jenami and Heather Traeger.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Audit, Compliance and Ethics Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Audit, Compliance and Ethics Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

**Minutes of the Audit, Compliance and Ethics Committee  
December 5, 2024**

The Audit, Compliance and Ethics Committee of the Board of Trustees of the Teacher Retirement System of Texas met on December 5, 2024, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

**Committee members:**

Ms. Brittany Allred, Chair  
Mr. Michael Ball  
Ms. Nanette Sissney  
Mr. Robert H. Walls, Jr.  
Mr. Elvis Williams

**Other TRS Board Members Present:**

Mr. David Corpus  
Mr. John Elliott  
Mr. James D. Nance

**Others who participated:**

Brian Guthrie, TRS	Michael Clayton, SAO
Caasi Lamb, TRS	Robert Pagenkopf, SAO
Don Green, TRS	Kevin W. Smith, Crowe LLP
Jase Auby, TRS	
Heather Traeger, TRS	
Amanda Jenami, TRS	
Chris Bowlin, TRS	
MaryEllen O'Neill, TRS	
Michelle Pagán, TRS	
Syed Israr, TRS	
Kirk Sims, TRS	
Julie Toler, TRS	
Jonathan O'Reilly, TRS	
Kathey Mitchell, TRS	
Katherine Farrell, TRS	
Suzanne Dugan, Cohen Milstein	

Audit, Compliance and Ethics Committee Chair, Ms. Brittany Allred called the meeting to order at 3:29 p.m.

**1. Call roll of Committee members.**

Ms. Farrell called the roll. A quorum was present.

**2. Consider the approval of the proposed minutes of the September 2024 committee meeting – Chair Brittany Allred.**

On a motion by Mr. Williams, seconded by Mr. Ball, the committee unanimously voted to approve the proposed minutes for the September 2024 Audit, Compliance and Ethics Committee meeting as presented.

**3. Receive report of the financial audit of TRS Annual Comprehensive Financial Report (ACFR) for fiscal year ended August 31, 2024 – Robert Pagenkopf and Michael Clayton, SAO.**

Mr. Robert Pagenkopf, with the State Auditor’s Office, provided the results of the financial statement opinion audit for the TRS ACFR as unmodified, meaning the financial statements were materially correct. He said a report on internal control was also issued with no significant deficiencies or material weaknesses. He emphasized two items. The first was that the opinion on the financial statements was specific to TRS and not to the State of Texas. The second item was that the financial statements included alternative investment holdings of \$110.7 billion whose fair values were difficult to determine and were based on estimates by management.

**4. Receive Crowe LLP’s report of the financial audit of TRS Investment Company (TRICOT) for fiscal year ended August 31, 2024 – Kevin W. Smith, Crowe LLP**

Mr. Kevin Smith stated that an unmodified opinion was issued. He noted the financial statements were prepared in accordance with generally accepted accounting principles. For *Emphasis of Matter*, he noted that the audit was only of TRICOT, and not of TRS.

**5. Receive TRS Compliance reports including those related to ethics and fraud, conflicts of interest, and investment policies and enterprise risk – Heather Traeger, Chris Bowlin, MaryEllen O’Neill and Michelle Pagán.**

Mr. Chris Bowlin reported on the quarterly compliance testing of the investment integrity questionnaires, the proxy voting policy, and Investment Policy Statement. He confirmed that requirements were being met with no unreported violations.

Ms. Traeger reported two 541(e)s conflicts relating to employees that will continue to be monitored. She said there were two additional Hotline complaints that were investigated and found to be unsubstantiated. Ms. MaryEllen O’Neill provided the final review of Compliance by covering functions in which Compliance has a key function if not sole responsibility for these functions such as data governance activities.

Ms. Michelle Pagán reviewed the changes in the Enterprise Stoplight Report. She noted there was a trend change and two risk level color changes. She reported the trend for global operations changed to stable because of the increased focus and enhancements on the U.S. and host country payroll administration, processes and procedures. She said procurement and contracts was elevated to caution due to an increase in contract monitoring and reporting within the contract management

system, allowing it to be more visible and providing more tracking capabilities. She concluded with talent continuity moving from caution to guarded due to the consistent low turnover rates.

**6. Receive Internal Audit reports:**

**A. Review of Emerging Managers Program – Syed Israr and Kirk Sims.**

Mr. Syed Israr provided the results of the audit of the Emerging Managers Program. He said the audit included a comprehensive review of operational procedures and key controls and that there were no reportable issues or control deficiencies identified.

Mr. Kirk Sims provided management's response by thanking the team's thoroughness and professionalism as they examined this program.

Ms. Allred called up Agenda Item 6 C without objection.

**C. Internal Audit Annual Report for Fiscal Year 2024 – Julie Toler.**

Ms. Julie Toler stated the report was disseminated on November 1 in compliance with the Texas Internal Auditing Act. She announced the Annual Report was timely provided to the applicable oversight bodies in compliance with SAO requirements. She then provided a high-level overview of the report. Ms. Amanda Jenami reviewed how the annual report captures the value that Internal Audit adds to TRS' governance and risk management processes. She said this could not be accomplished without staff. She reported the collective experience of Internal Audit is 100 years of internal auditing experience, 108 of data analysis, 60 years in IT experience, and 50 years in investment management experience. Relying on this expertise, is how Internal Audit has significantly cut down, almost eliminating the reliance on outside contractors to perform audits at TRS.

**B. Review of Internal Audit Quality Assurance Improvement Program (QAIP) Self-Assessment – Amanda Jenami and Kathey Mitchell.**

Ms. Jenami said there are two sections to this report, the Chief Audit Executive's affirmations and disclosures memo and the Internal Quality Assurance Self-Assessment that was performed by Kathey Mitchell. She stated that the purpose of the memo is to confirm that in all matters relating to Internal Audit's work, the staff is free from personal, external, and organizational impairments to independence.

Ms. Kathey Mitchell presented the results of the annual Quality Assurance Self-Assessment. She reported that Internal Audit *generally conforms* with the IIA standards and its Code of Ethics. She also reported that Internal Audit received a *pass* rating for conformance with the Government Auditing Standards. She noted these are the highest ratings possible. She said she reached her conclusion after reviewing the standards, the Code of Ethics, the department's policies and procedures and supporting documentation for four engagements conducted during fiscal year 2024. She also interviewed the CAE and the Audit Directors. She noted one opportunity for

improvement. She recommended developing specific and direct policies and procedures on how to handle consultations pursuant to Government Auditing Standard 5.24.

Ms. Jenami agreed with the recommendation and stated it should be implemented by March 31, 2025.

**D. Status of prior audit and consulting recommendations – Jonathan O’Reilly.**

Mr. Jonathan O’Reilly highlighted that management continues to implement recommendations, as shown by the decrease in pending recommendations by 11.

**7. Discuss and consider Internal Audit and TRS Compliance administrative reports and matters related to governance, risk management, internal control, compliance violations, fraud, regulatory reviews or investigations, fraud risk areas, audits for the annual internal audit plan, or auditors’ ability to perform duties – Brittny Allred, Amanda Jenami and Heather Traeger.**

Ms. Jenami reviewed the report that stated as of the first quarter performance was on track to meet the department’s annual performance targets.

With no further business before the Committee, the meeting adjourned at 4:16 p.m.

APPROVED BY THE AUDIT, COMPLIANCE AND ETHICS COMMITTEE OF THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE \_\_\_ DAY OF APRIL 2025.

\_\_\_\_\_  
Brittny Allred  
Chair, Audit Compliance and Ethics Committee  
Board of Trustees  
Teacher Retirement Systems of Texas

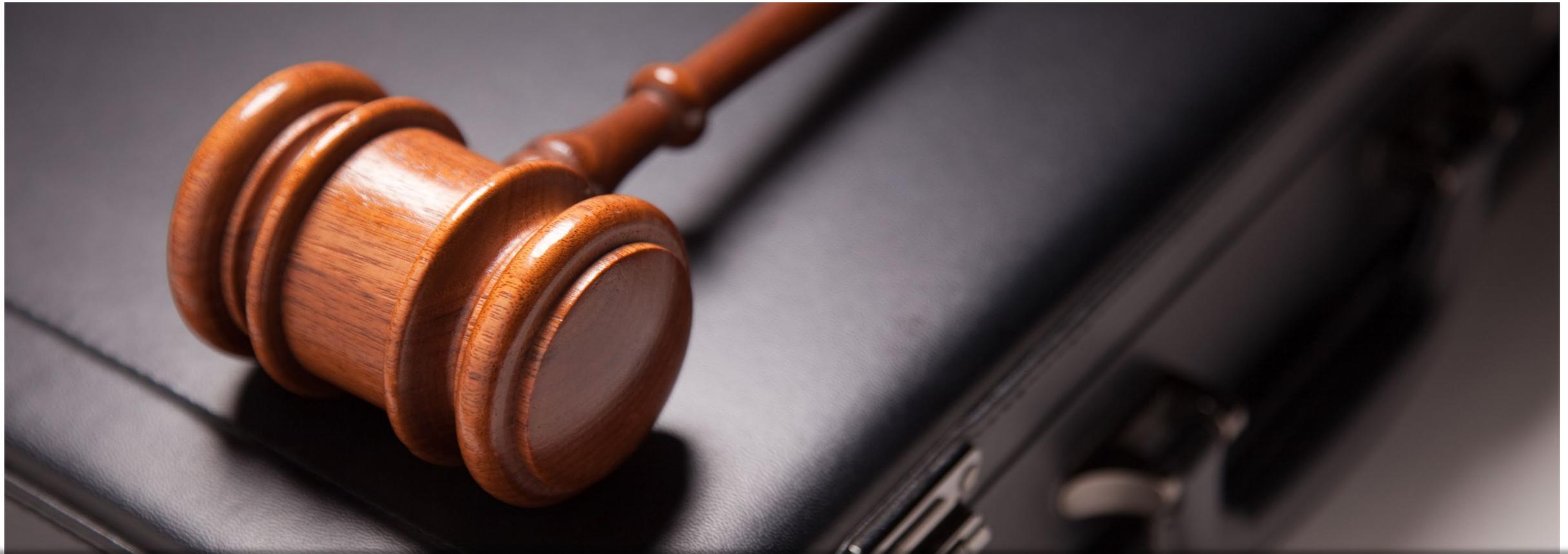
\_\_\_\_\_  
Date



 **Internal Audit**

**Audit, Compliance & Ethics  
Committee Meeting / April 2025**





## **TRS Compliance: Ethics Overview**

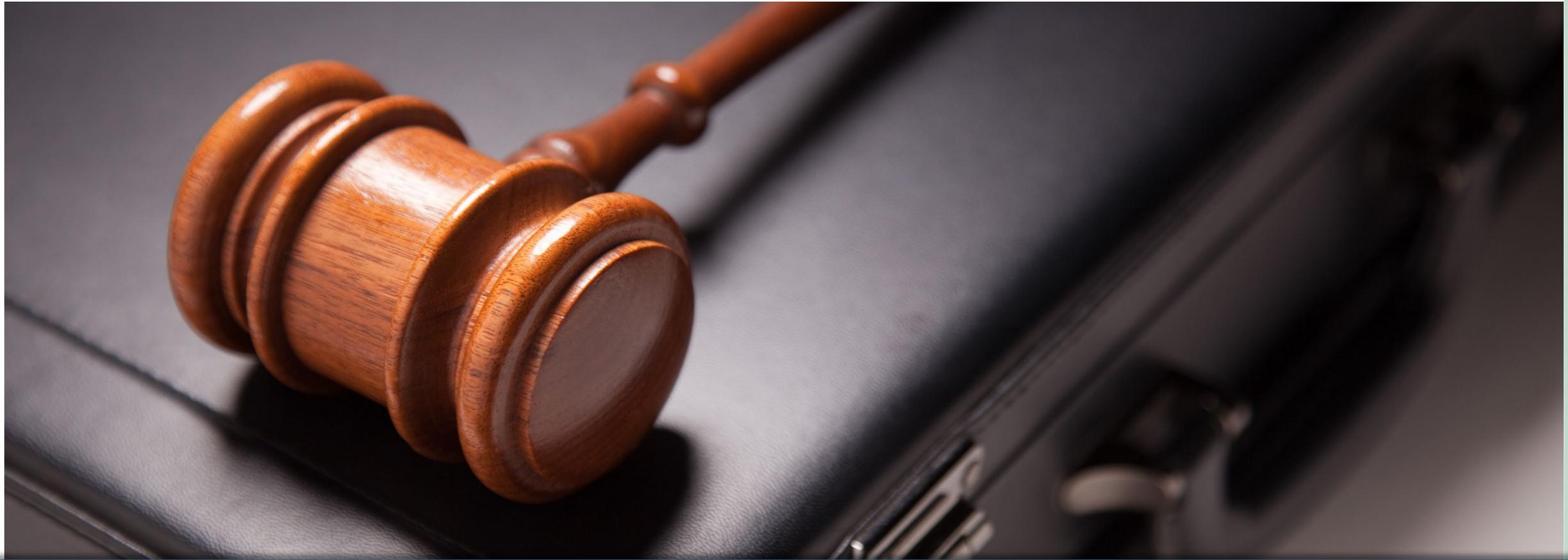
**Heather Traeger and Chris Bowlin**

April 2025

**Quarterly Investment Compliance Testing  
Investment Policy Statement (IPS) and Securities Lending Policy (SLP)  
Quarter ending December 31, 2024**

Procedures Performed	Test Results
<b><u>Business Objective 1: Board Reports</u></b> All required information is reported to the TRS Board of Trustees	
<ul style="list-style-type: none"> <li>Obtain evidence that all requirements reported to Board of Trustees</li> </ul>	<ul style="list-style-type: none"> <li>All reporting requirements were met. Documentation provided supported information tested.</li> </ul>
<b><u>Business Objective 2: Investment Selection and Approval</u></b> Investments made are within delegated limits and established selection criteria	
<ul style="list-style-type: none"> <li>Obtain evidence that Investment Integrity Questionnaires (IIQs) were received prior to investment authorization and deal closing</li> <li>Obtain evidence that approved investments were within policy limits</li> <li>Obtain evidence that Restricted Securities lists updated and reports filed</li> <li>Obtain evidence that IMD evaluated hedge fund classification</li> <li>Obtain information about the allocation of funds added to previously approved investments for purposes of rebalancing or adjusting risks</li> <li>Obtain evidence that all board serving requirements are met</li> </ul>	<ul style="list-style-type: none"> <li>Each investment tested had a completed questionnaire prior to IIC date.</li> <li>For Private and Public Markets investments tested, no manager or partner organization exceeded the authorized limits and verified term sheet calculations with manager exposure file.</li> <li>The IPS requirements were violated due to the purchase of a security that is on the Restricted Securities List. The security was promptly divested.</li> <li>A hedge fund analysis was included in IIC materials for all investments tested.</li> <li>Each investment tested was within policy limits.</li> <li>The IPS requirements were not met for an IMD employee serving on a company board.</li> </ul>
<b><u>Business Objective 3: Other (IPS, SLP, other reporting)</u></b> Risk limits are followed for other investment and proxy voting policies and procedures were followed	
<ul style="list-style-type: none"> <li>Obtain senior management disclosure about known compliance violations</li> <li>Obtain evidence that TRS securities lending program complied with the following guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Obtained quarterly compliance certification from IMD IIC and Legal.</li> <li>No security lending violations were identified.</li> </ul>

Legend: ■ Significant to TRS    ■ Significant to Business Objectives    ■ Other Reportable Exception    ■ Positive Test Result/ No Exception



## **Enterprise Risk Management Update**

April 11, 2025

**Michelle Pagán**

**Director, Enterprise Risk, Strategy & Performance**



## Agenda

- Summary of Changes
- Enterprise Stoplight Report
- Risk Trending Dashboard & Charts



# Summary of Changes – Enterprise Stoplight Report



Risk Level Color/Trending Changes	December 2024	April 2025
Budget <sup>1</sup>	● ↔	Deleted
Business Continuity	● ↔	● ↓
Financial Operations <sup>2</sup> (New)	N/A	● ↔
Pension Funding	● ↔	● ↑
TEAM Program	● ↔	● ↓

<sup>1</sup> Budget risk category has been deleted; individual risk events have been merged with the Financial Operations risk category.

<sup>2</sup> Two additional business risk categories (Accounting & Reporting and Investment Accounting) related to financial services were combined into the new Financial Operations risk category.



# Enterprise Stoplight Report\* – April 2025



Business Continuity	Communications & External Relations	Cybersecurity	Data Privacy & Confidentiality	Employer Reporting
Enterprise Technology	Ethics & Fraud Prevention	Facilities Management & Planning	Financial Operations	Global Operations
Health Care Plans Administration	Market**	Open Government	Pension Services	Pension Funding
Procurement & Contracts	Records & Information Management	Regulatory, Compliance & Litigation	Talent Continuity	TEAM Program
TRS-ActiveCare Affordability	TRS-Care Funding			

RISK CATEGORY LEVEL - Threat to Achieving TRS Goals & Objectives									
HIGH		ELEVATED		CAUTION		GUARDED		LOW	

EXPECTED RISK CATEGORY TREND - NEXT 12-24 MONTHS					
INCREASE		DECREASE		NO CHANGE	

\*Risk category ratings are based on a point in time and independent of other risk categories.

\*\*TRS is discussing changes to this risk category to reflect both short and long-term market risk.



# Risk Trending Dashboard



## Enterprise Risk Categories April 2025

### Current Risk Level

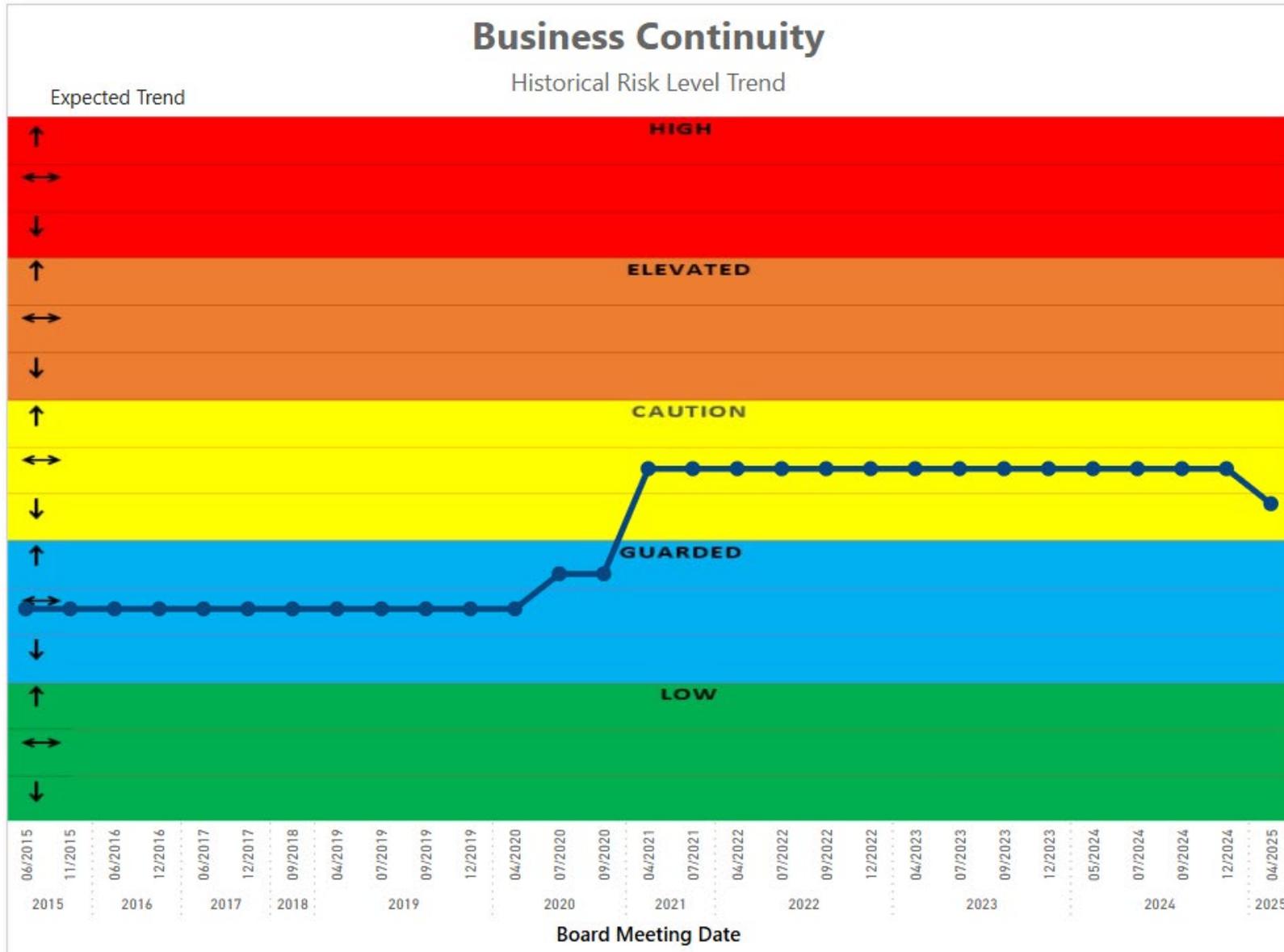
### Expected Trend 12-24 months

### Historical Trend

Enterprise Risk Categories April 2025	Current Risk Level	Expected Trend 12-24 months	Historical Trend
Business Continuity	Caution	Decrease	
Communications & External Relations	Caution	Stable	
Cybersecurity	Elevated	Increase	
Data Privacy & Confidentiality (i.e., Information Security & Confidentiality)	Caution	Stable	
Employer Reporting	Guarded	Stable	
Enterprise Technology	Elevated	Increase	
Ethics & Fraud Prevention	Guarded	Stable	
Facilities Management & Planning	Caution	Stable	
Financial Operations	Guarded	Stable	
Global Operations	Guarded	Stable	
Health Care Plans Administration	Caution	Stable	
Market	Low	Increase	
Open Government	Guarded	Stable	
Pension Funding	Elevated	Increase	
Pension Services	Guarded	Stable	
Procurement & Contracts	Caution	Stable	
Records & Information Management	Elevated	Stable	
Regulatory, Compliance & Litigation	Guarded	Stable	
Talent Continuity	Guarded	Stable	
TEAM Program	Caution	Decrease	
TRS-ActiveCare Affordability	Caution	Stable	
TRS-Care Funding	Low	Stable	



# Risk Trending Dashboard – Trend Chart



Current Risk Rating

**Caution**

Expected Trend Next 12-24 Months

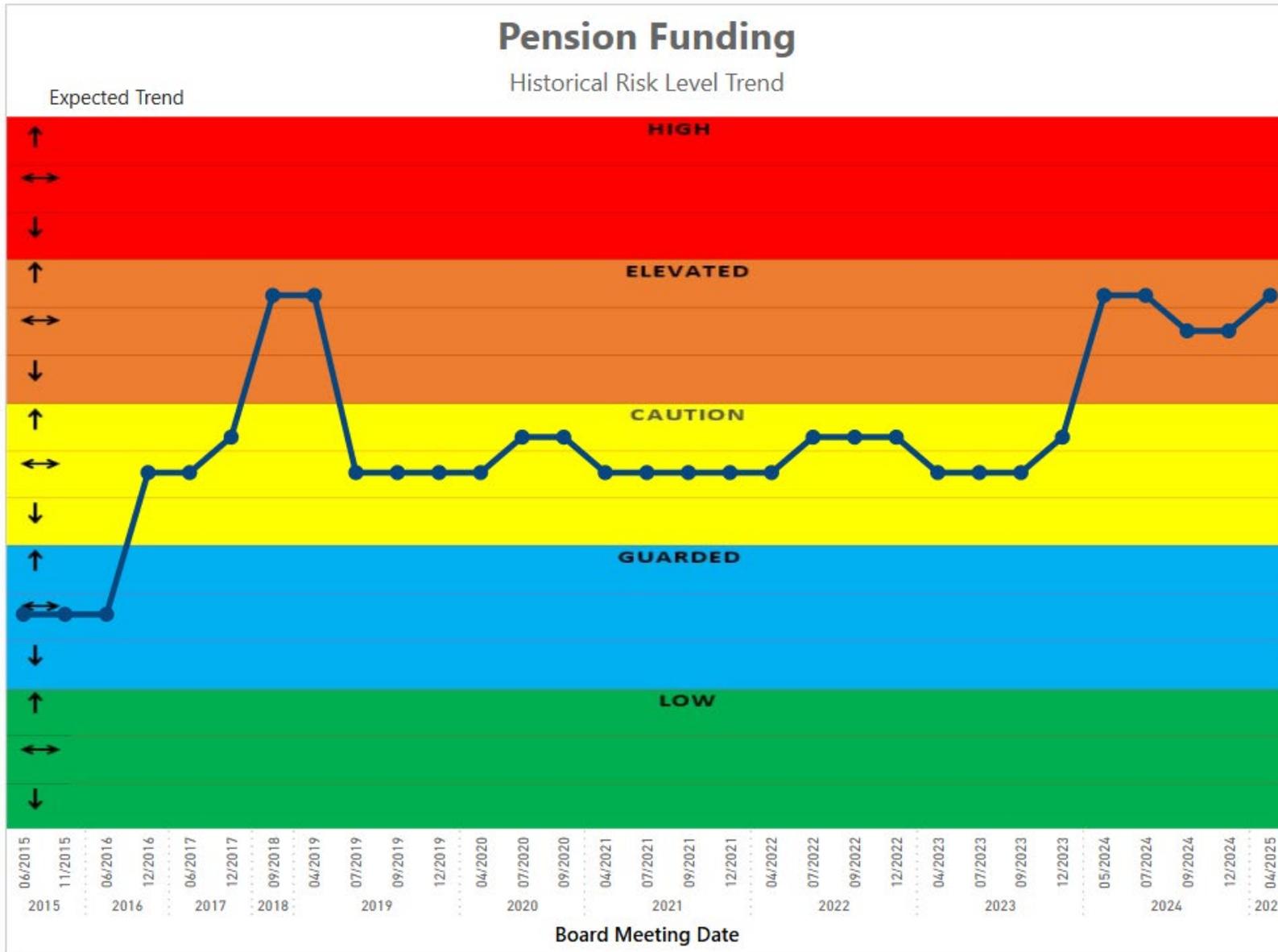
**Decrease**

Last Risk Review

**April 2025**



# Risk Trending Dashboard – Trend Chart



Current Risk Rating

**Elevated**

Expected Trend Next 12-24 Months

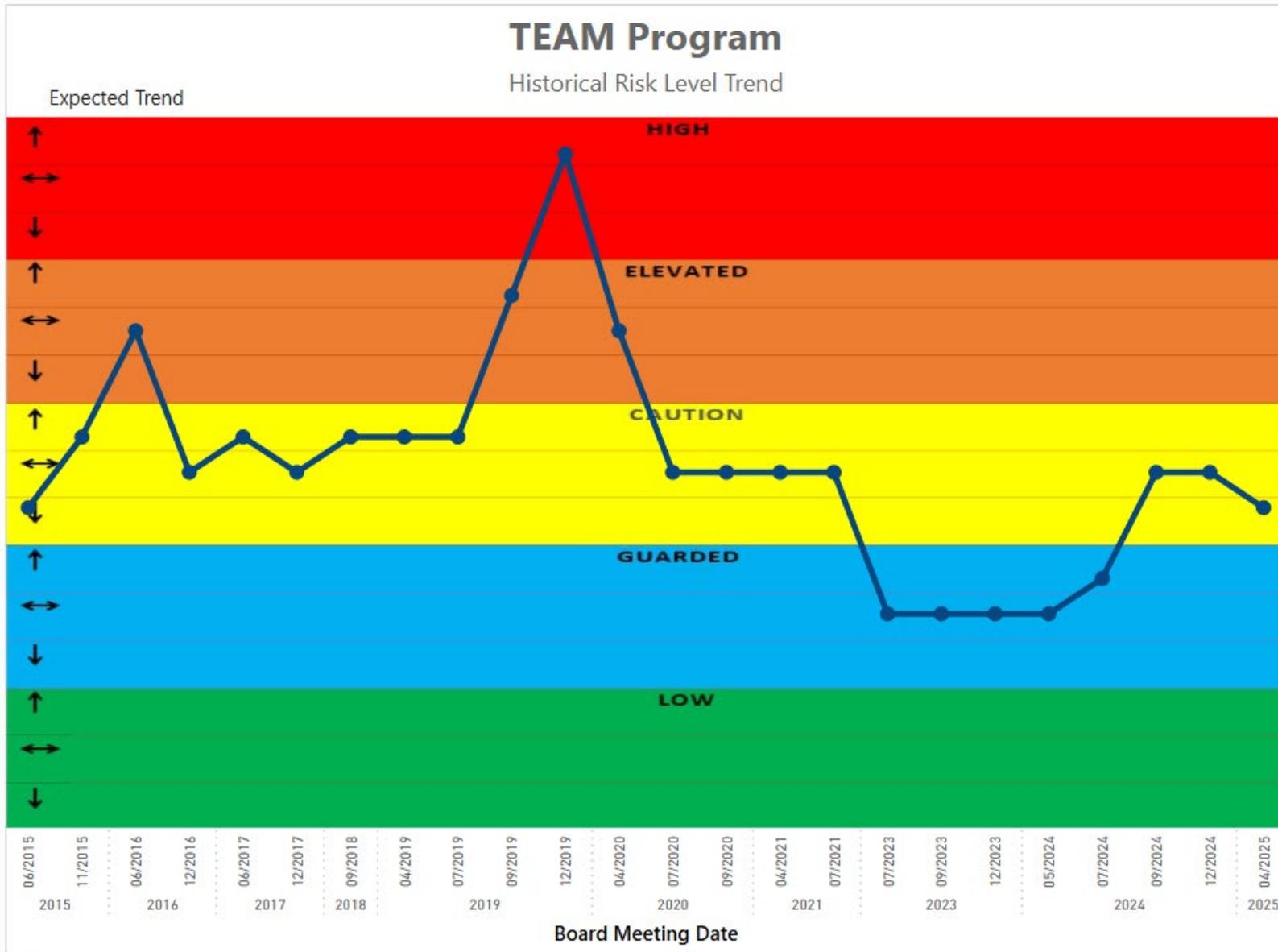
**Increase**

Last Risk Review

**April 2025**



# Risk Trending Dashboard – Trend Chart



Current Risk Rating

**Caution**

Expected Trend Next 12-24 Months

**Decrease**

Last Risk Review

**April 2025**



# Internal Audit

April 11, 2025  
Amanda Jenami  
CPA, CISA, CIA, CIDA, CFSA, CHIAP, CRMA, CFE, CGAP, CCSA





## **Proposed Revisions to the Audit Plan for Fiscal Year 2025**



# Overview



Consider recommending to the TRS Board of Trustees proposed revisions to the Fiscal Year 2025 Audit Plan.

## **Background**

Per the approved Fiscal Year 2025 Audit Plan, amendments to the approved Audit Plan deemed to be significant will be submitted to the TRS Board of Trustees for approval. Staff requests that the Audit, Compliance, and Ethics Committee approve the proposed amendments to the Fiscal Year 2025 Audit Plan and recommend that the TRS Board of Trustees adopt the proposed revisions.

## **Risk Considerations**

The Revised Audit Plan is designed to provide coverage of key risks, given the existing staff and approved budget.

## **Staff Recommendation**

Staff requests that the Committee recommends to the TRS Board of Trustees the following proposed revisions to the Fiscal Year 2025 Audit Plan.

# Proposed Revisions to the Audit Plan for FY 2025

Project	Risk Level	Change	Reason
<b>Health Division</b>			
TRS-ActiveCare Dependent Eligibility Testing		CANCEL	No longer a priority. Low risk area.
<b>Technology &amp; TEAM</b>			
TRUST Non-production Environments (Formal Advisory)		ADD	Following the Refunds audit, management requested advisory work on non-production environments within the TRUST system.
<b>Contract Services</b>			
Review of TRS' Procurement and Vendor e-System (PAVES)		ADD	It has been more than three years since PAVES was implemented. The audit will seek to identify opportunities for enhancing contract management efficiencies with the use of PAVES.

## Risk Category Level – Threat to Achieving TRS Goal & Objectives

 High	 Elevated	 Caution	 Guarded	 Low
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# Questions



 **Internal Audit**  
Review of Energy, Natural Resources, and  
Infrastructure (ENRI) Portfolio Operations

April 11, 2025  
Presented By:  
**Katie Linczer and Carolyn Hansard**





# Review of ENRI Portfolio Operations



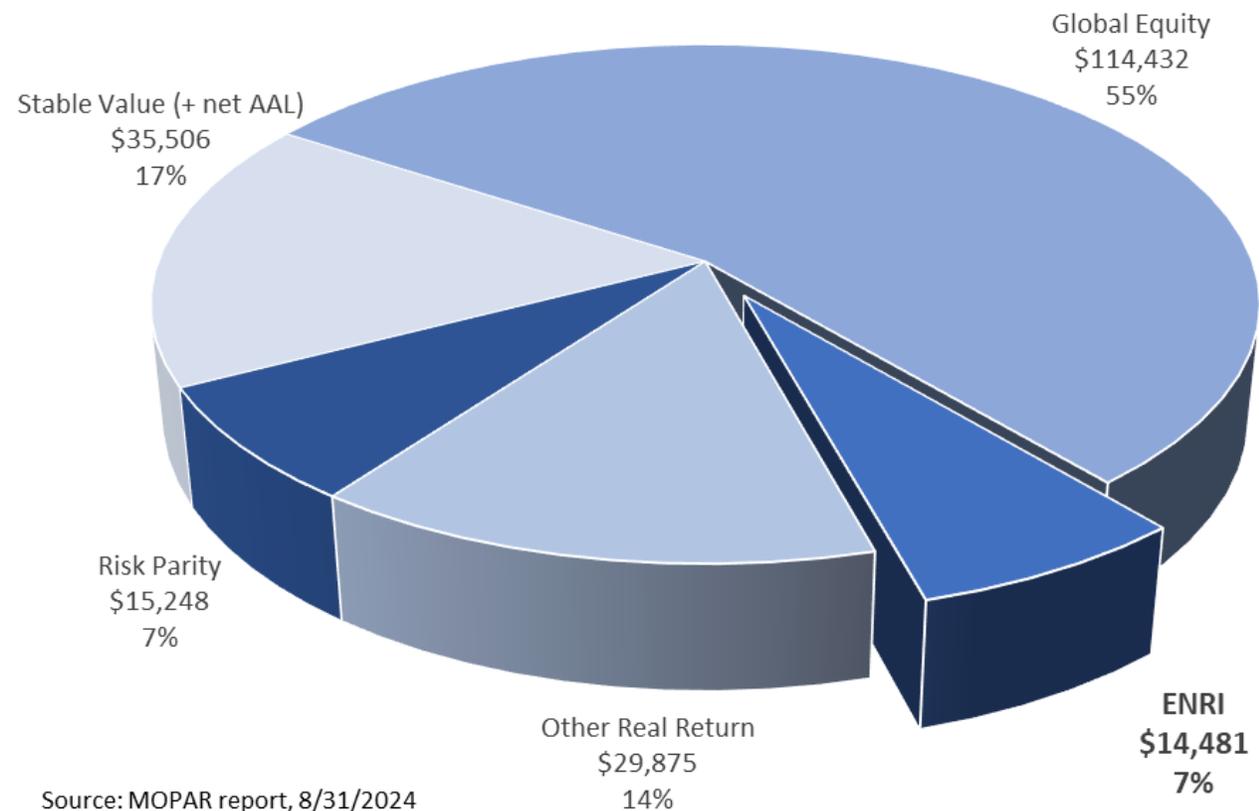
## ENRI Portfolio

- ✓ \$14.5 Billion
- ✓ 6.9% of Trust

## Audit Scope

- ✓ September 2022 – August 2024
- ✓ External oversight and investment activities
- ✓ Key processes and controls

Total TRS Trust Portfolio: \$209.5 billion  
8/31/2024  
(\$ mm)



Source: MOPAR report, 8/31/2024



# Review of ENRI Portfolio Operations



## AUDIT CONCLUSION

The Investment Management Division's Energy, Natural Resources, and Infrastructure portfolio operations include sufficient controls to provide reasonable assurance that ENRI objectives are accomplished effectively, efficiently and in compliance with TRS investment policy and relevant procedures.

Key controls include:

- Investment Policy Statement
- Internal Investment Committee (IIC) & External Private Markets (EPM) guidelines and procedures
- Third party monitoring and validation of external managers fees



# Executive Summary



## ENRI Portfolio Business Objectives:

1. Achieve TRS Board objectives for Trust portfolio exposure, investment performance and reporting transparency
2. Systematize procedures for diligence and operational integrity while developing and retaining team talent

<u>Positive Results</u>	<u>Recommendations</u>	<u>Management Response</u>
<ul style="list-style-type: none"> <li>• Adherence to principal investment approval procedures</li> <li>• Alignment of TRS valuation policy with Governmental Accounting Standards Board requirements</li> <li>• Existence of diligence and monitoring activity documentation</li> <li>• Occurrence of legal review and standardized documentation of key business terms</li> </ul>	<p>Opportunities to enhance:</p> <ul style="list-style-type: none"> <li>• Timeliness of capital call wire approvals</li> <li>• Review of third-party fee monitoring and validation activities</li> </ul>	<p>Management agrees and will enhance:</p> <ul style="list-style-type: none"> <li>• Capital call wire approval training refresh</li> <li>• Procedures for review of third-party fee monitoring and validation activities</li> </ul>



# Project Team



## Investment Audit Services Team



Katie Linczer, CPA, CIA, CRMA  
Senior Investment Auditor



Syed Israr  
Senior Investment Auditor



Nathan Ward, CFA  
Senior Investment Auditor



Julie Toler, CFA, CFP<sup>®</sup>, CIA, CRMA  
Investment Audit Services Director



## **Appendix: Audit Objective, Methodology and Scope**

# Appendix: Audit Objective, Methodology and Scope



## AUDIT OBJECTIVE

Determine whether ENRI portfolio operations include sufficient controls to ensure investments are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.



## METHODOLOGY

- ✓ Identify key risks and controls
- ✓ Review Investment Policy Statement
- ✓ Interview management and staff
- ✓ Review TRS processes and documents



## AUDIT SCOPE

- ✓ September 2022 – August 2024
- ✓ Activities and reporting related to ENRI portfolio operations



# Internal Audit

April 11, 2025  
Presented By:  
**Cui Rye and Kathy Bridgeman**





## **Review of Contract Oversight (Information Security)**

# Contract Management: Processes & Responsibilities



Manage and approve contract changes

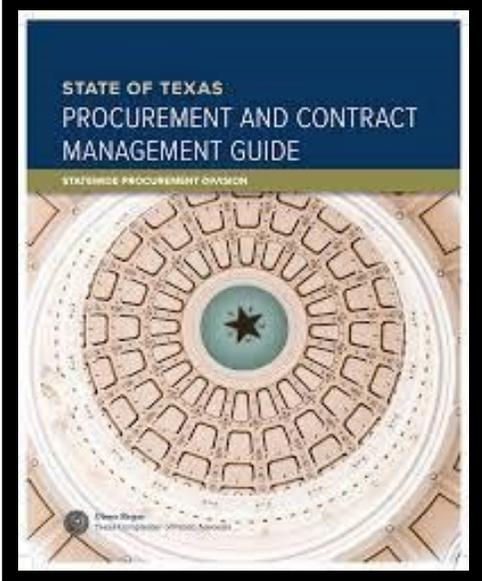
Identify and resolve issues

Report vendor performance

Verify accuracy of invoices

Monitor contract budget

Serve as primary contact



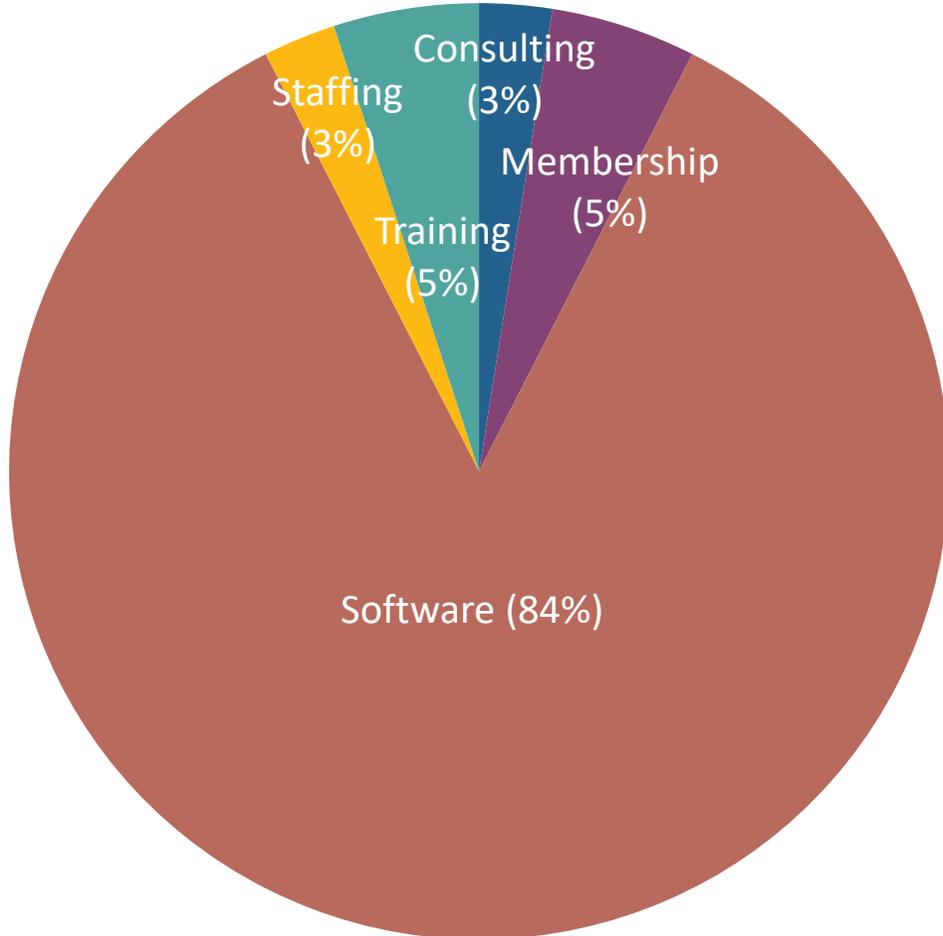
All activities that fall between contract execution and contract termination

Effective 9/1/2024, ISO is partnering with CMO in the management of its contracts

# Review of Contract Oversight (ISO)



## Contracts by Count



## Maximum Contract Values

Consulting	1	\$14K
Software	34	\$1,875K
Staffing	1	\$378K
Membership	2	\$10K
Training	2	\$30K
<b>Total</b>	<b>40</b>	<b>\$2,307K</b>

Audit Period: September 2023 – August 2024



# Review of Contract Oversight (ISO)



## AUDIT CONCLUSION

Information Security Office (ISO) contract management processes are transitioning, with staff sharing oversight responsibilities with the Contract Management Office (CMO).

Key controls include:

- Biweekly status meetings between ISO and CMO
- Deliverables tracking within PAVES
- Verification of TX-RAMP certifications



# Review of Contract Oversight (ISO)



## IMPROVEMENT OPPORTUNITIES

Improvements are needed to ensure vendor performance reports (VPRs) are completed and submitted timely.

The audit identified opportunities to strengthen ISO's contract oversight process by:

- Developing a standardized checklist for contract closeout
- Clarifying roles and responsibilities between ISO and CMO



# Detailed Results – Invoicing Approval and Amendments



Invoice Approval	Amendments
<ul style="list-style-type: none"><li>• Invoices were aligned with contract pricing terms</li><li>• Invoices were appropriately approved</li><li>• Payments were within contract limits</li></ul>	<ul style="list-style-type: none"><li>• Amendments were consistent with initial contract objectives</li><li>• Changes were documented and retained in PAVES</li><li>• Amendments were executed before effective date</li></ul>



# Detailed Results – VPR and Final Contract File Review



Recommendations	Action & Target Date
<ul style="list-style-type: none"><li>• Develop a process to ensure VPRs are completed timely, and enhance the PAVES workflow to include multiple automated reminder email notifications</li><li>• Develop a standard contract file review checklist, incorporate it in PAVES, and ensure a second-level review</li></ul>	<ul style="list-style-type: none"><li>• CMO will develop a process to ensure adherence to the VPR completion policy <b>(8/2025)</b></li><li>• CMO has developed a Contract File Close Out Checklist and will implement a process to ensure a second-level review by CMO <b>(7/2025)</b></li></ul>



# Detailed Results – Contract Monitoring



Recommendations	Action & Target Date
<ul style="list-style-type: none"><li>Develop a RACI (Responsible, Accountable, Consulted, and Informed) chart to clarify roles and responsibilities between CMO and ISO</li></ul>	<ul style="list-style-type: none"><li>CMO and ISO have jointly developed a RACI chart to enhance collaboration between the two teams <b>(4/2025)</b></li></ul>



# Project Team



Jonathan O'Reilly  
Director of Operations Audit and Business  
Intelligence



Kathey Mitchell, CIA, CGAP, RTSBA  
Audit Project Lead



Cui Rye, CPA, CIA  
Senior Operations Auditor

## Operations Audit Team



**Questions?**



## **Appendix: Audit Objective, Methodology and Scope**

# Appendix: Audit Objective, Methodology, and Scope



## AUDIT OBJECTIVE

Determine whether ISO contract oversight activities include sufficient controls to ensure ISO goals are accomplished effectively, efficiently and in compliance with applicable requirements.



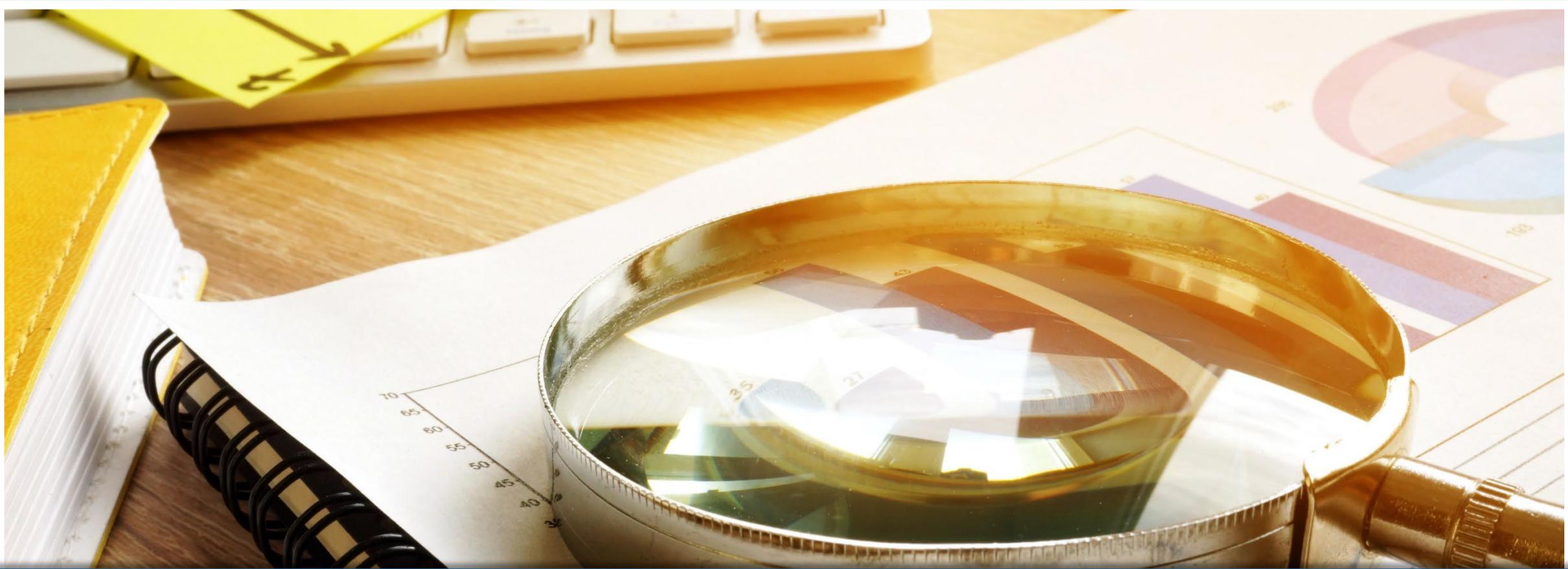
## METHODOLOGY

- ✓ Identified key risks and controls
- ✓ Reviewed policies and procedures
- ✓ Interviewed management and staff
- ✓ Reviewed records and systems



## AUDIT SCOPE

- ✓ Active and closed ISO contracts during Fiscal Year 2024



# Internal Audit

Summary of Audit Recommendations as of March 19, 2025

April 11, 2025

**Jonathan O'Reilly**  
Director of Operations Audit & Business Intelligence





# Highlights



**26**

Recommendations  
(Total)

**10**

Audit Reports

**13**

Recommendations  
rated significant

## Implementation Status

**21**<sup>5-</sup>

Pending

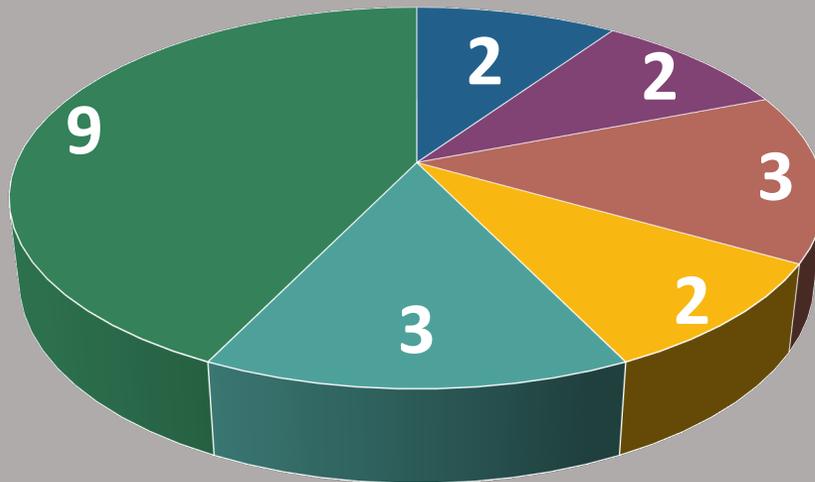
**5**<sup>6-</sup>

Satisfactorily  
Implemented

**0**<sup>1-</sup>

Implemented,  
pending IA  
validation

## Ownership of Pending Recommendations



■ Pension Services ■ Business Admin ■ HD ■ IMD ■ IT ■ ISO

## Age of Recommendations

**9**

1-12  
months

**7**

13-24  
months

**5**

25-36  
months

**0**

37-48  
months

**TRS Internal Audit  
Summary of Audit Recommendations Status  
As of March 19, 2025**

Recommendation	Status	Issue Type	Issue Date	Estimated Date	Revised / Actual Date
<b>21-202 Review of Contract Oversight (HIB)</b>					
1.1 Strengthen contract monitoring efforts	Implemented	Significant	9/2021	2/2023	11/2024
<b>22-401 Review of Records Management</b>					
1.1 Assist business units in weighing benefits against risks of longer retention time frames	Implemented	Other Reportable	6/2022	2/2023	3/2025
1.2 Require written justification and executive management approval for longer retention time frames	Implemented	Other Reportable	6/2022	2/2023	3/2025
2.1 Expand RIM monitoring efforts	Implemented	Other Reportable	6/2022	8/2022	3/2025
3.1 Continue efforts to implement record management automated features	In Progress	Other Reportable	6/2022	3/2023	12/2025
3.2 Include shared and personal drives to Microsoft project	In Progress	Other Reportable	6/2022	5/2025	12/2025

**Significant to Business Objectives**

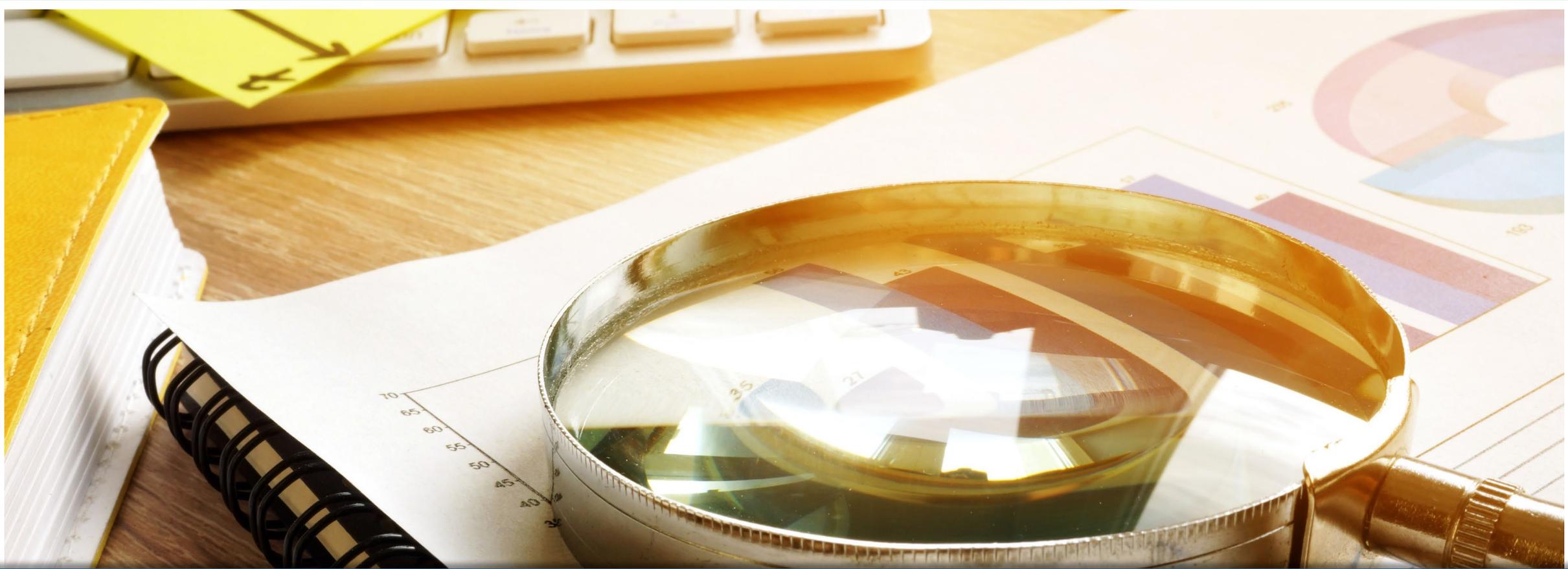
	<ul style="list-style-type: none"> <li>• Past <i>original</i> estimated completion date, and</li> <li>• No management action plan <u>or</u> no progress on management action plan</li> </ul>
	<ul style="list-style-type: none"> <li>• Past <i>original</i> estimated completion date</li> <li>• Progress on management action plan</li> </ul>
	<ul style="list-style-type: none"> <li>• <i>Original</i> estimated completion date has not changed</li> <li>• Progress on management action plan</li> </ul>
	<ul style="list-style-type: none"> <li>• Satisfactory implementation of management action plan <u>or</u> acceptance of risk by management</li> </ul>
	<ul style="list-style-type: none"> <li>• Implementation of management action plan pending Internal Audit validation</li> </ul>

**Other Reportable**

	<ul style="list-style-type: none"> <li>• Past first <i>revised</i> estimated completion date</li> <li>• No management action plan <u>or</u> no progress on management action plan</li> </ul>
	<ul style="list-style-type: none"> <li>• Past first <i>revised</i> estimated completion date</li> <li>• Progress on management action plan</li> </ul>
	<ul style="list-style-type: none"> <li>• Within <i>original</i> <u>or</u> first <i>revised</i> estimated completion date</li> <li>• Progress on management action plan</li> </ul>
	<ul style="list-style-type: none"> <li>• Satisfactory implementation of management action plan <u>or</u> acceptance of risk by management</li> </ul>

**TRS Internal Audit  
Summary of Audit Recommendations Status  
As of March 19, 2025**

Recommendation	Status	Issue Type	Issue Date	Estimated Date	Revised / Actual Date
<b>23-102 Review of Reporting Employer Processes</b>					
1.3.a. Develop and implement KPIs	In Progress	Other Reportable	7/2023	6/2024	12/2026
<b>24-102 Audit of Pension Refund Processes</b>					
1.2 Ensure refunds are accurate	In Progress	Significant	5/2024	5/2024	8/2025
<b>24-302 Review of Risk Parity Portfolio Operations</b>					
1.1(a) Enhance Model Change Management Practices	In Progress	Other Reportable	9/2024	3/2025	
1.1(b) Establish Formal Model Governance	In Progress	Other Reportable	9/2024	3/2025	
2.1 Alignment of Liquidity model and TRS exposure	Implemented	Other Reportable	9/2024	12/2024	12/2024



# Internal Audit Administrative Reports

April 11, 2025

Presented By:

**Amanda Jenami, CPA, CISA, CIA, CIDA, CFSA, CRMA, CFE**



## FY2025 Strategic Goals

- Goal 1:** Provide assurance to the board of trustees and senior management (3 KPIs)
- Goal 2:** Serve as trusted advisor to the board of trustees and management (3 KPIs)
- Goal 3:** Attract, develop and retain diverse and outstanding talent (5 KPIs)
- Goal 4:** Leverage technology (2 KPI)

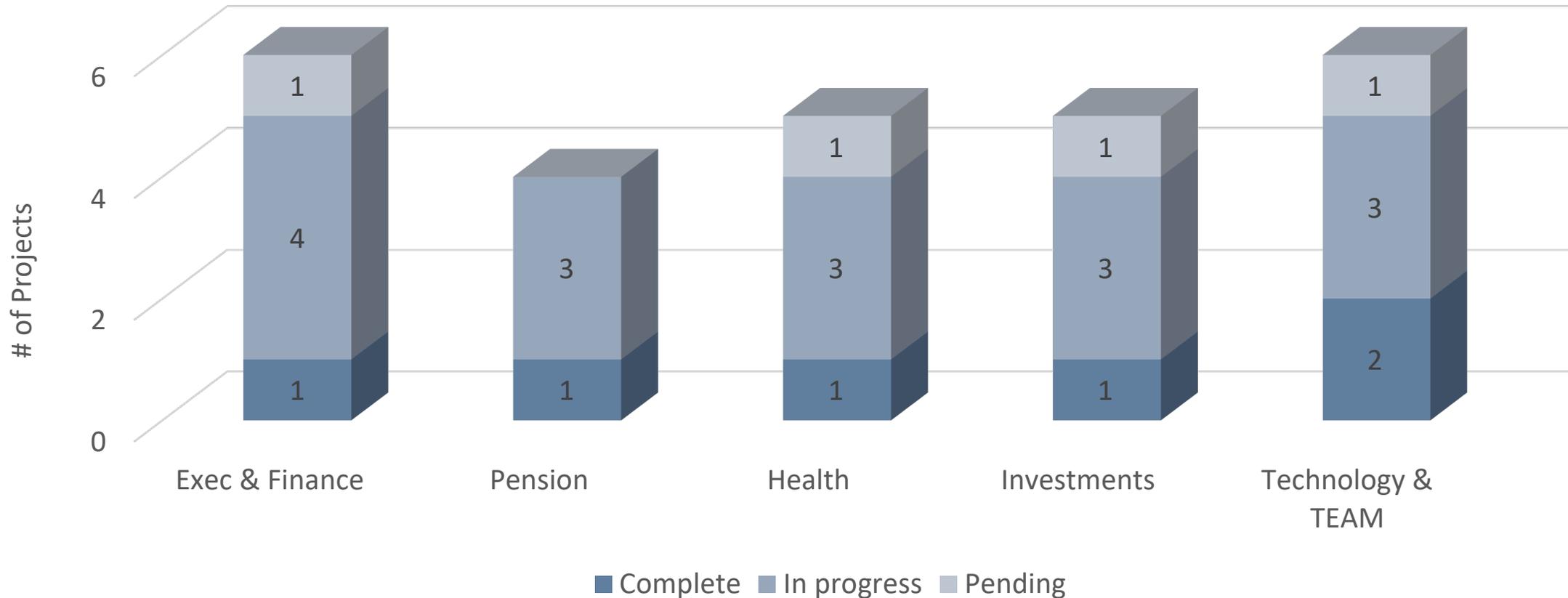
## FY2025 Key Performance Indicators (KPIs)

Through the second quarter, Internal Audit either achieved or was on track to achieve 100% (13 out of 13) of its annual performance targets.

# FY25 Audit Plan Status through 2<sup>nd</sup> Quarter



Audit Plan Project Status  
FY2025 Year to Date



Detailed list of Audit Plan projects & status is provided in the Appendix

# Staff Highlights: New Team Members!



**Tyler Dixon**

Senior Business Intelligence Analyst

Tyler joins us from Texas HHS-OIG where he served as a Senior Fraud Data Analyst since 2021. He is a SAS Certified Advanced Programmer and brings 9 years of data analytics experience.

**Jess Simon, CPA, CIA**  
Senior Operations Auditor

Jess served as a Senior Internal Auditor at Austin Regional Clinic since 2019. She brings 9 years of audit experience.





# Questions



# Appendix



# Detailed FY25 Audit Plan Status through 2<sup>nd</sup> Quarter : Audit & Formal Advisory Projects + Proposed Amendments

	In		
	Complete	Progress	Pending
<b>Executive, Business Administration &amp; Contracts</b>			
Review of ERM Program		✓	
Review of Contract Oversight (Information Security)	✓		
Review of Safety and Physical Security (Alpha)			✓
Follow-Up of Prior Audits		✓	
Special requests, initiatives and emerging Issues (all divisions)		✓	
<i>Review of PAVES (*)</i>			✓
<b>Pension</b>			
ACFR Testing of Annuity Payments	✓		
Reporting Employer Audits		✓	
Reporting Employer Data Analysis		✓	
Special Requests and Emerging Issues		✓	
<b>Investments</b>			
Review of Energy, Natural Resources and Infrastructure Portfolio Operations	✓		
Review of Investment Middle Office Operations		✓	
Review of the Innovation Portfolio Program			✓

	In		
	Complete	Progress	Pending
<b>Health</b>			
Dental/Vision LTEO Independent Testing	✓		
Healthcare Claims Data Analysis (Administrator Contract Compliance)		✓	
Benefit Matrix Testing		✓	
Healthcare Claims Data Analysis (Provider Compliance & Industry Standards)		✓	
<i>TRS-ActiveCare Dependent Eligibility Testing (**)</i>			✓
<b>Technology &amp; TEAM</b>			
Access Control Management	✓		
<i>TRUST Non-production Environments (*)</i>	✓		
Application Programming Interface		✓	
Review of Cyber Controls		✓	
Business Continuity Planning and Disaster Recovery			✓
TEAM Independent Program Assessment (IPA) Vendor Support		✓	

\* Pending: Proposed project addition to FY25 Audit Plan

\*\* Pending: Proposed project deletion from FY25 Audit Plan



# Internal Audit Advisory Services during 2<sup>nd</sup> Quarter



## EXECUTIVE

- Served on Levels 1 & 2 Project Review committees
- Served on the Risk Oversight Committee
- Served on the Enterprise Data Governance Council

## INFORMATION TECHNOLOGY

- Attended the Project Review Committee Meetings
- Bi-weekly meetings with Information Security and Legal and Compliance
- Participated in the annual Disaster Recovery testing
- Attended Information Security Advisory Team (ISAT) meetings
- Attended Change Management Team (CMT) meetings
- Coordinated IPA (TEAM) activities
- Held collaboration meetings with Chief Information Officer (CIO) and Chief Information Security Officer
- Served on Enterprise Risk Management (ERM) Cybersecurity Team

## INVESTMENT MANAGEMENT DIVISION (IMD)

- Attended Internal Investment Committee (IIC) meetings
- Attended Securities Lending monitoring calls
- Held quarterly collaboration meetings with Investment Compliance and Investment Risk
- Held quarterly collaboration meetings with IMD management

## PENSION SERVICES

- Performed data analysis on SAFETY tool results
- Attended quarterly Employer Advisory Group meetings
- Performed RE data integrity tests via data analytics
- Held monthly collaboration meetings with Benefits Accounting management

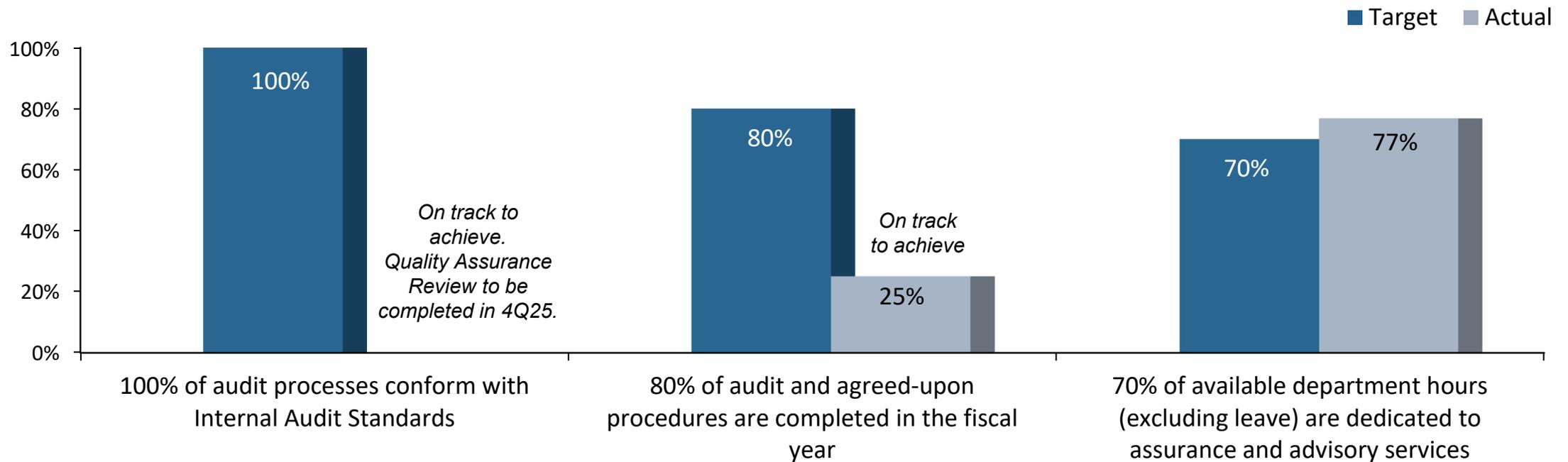
## HEALTH DIVISION (HD)

- Performed independent pre-implementation testing for Dental/Vision + LTEO
- Performed health plan program integrity tests via data analytics
- Held quarterly collaboration meetings with Health Division management

# Detailed KPI Results



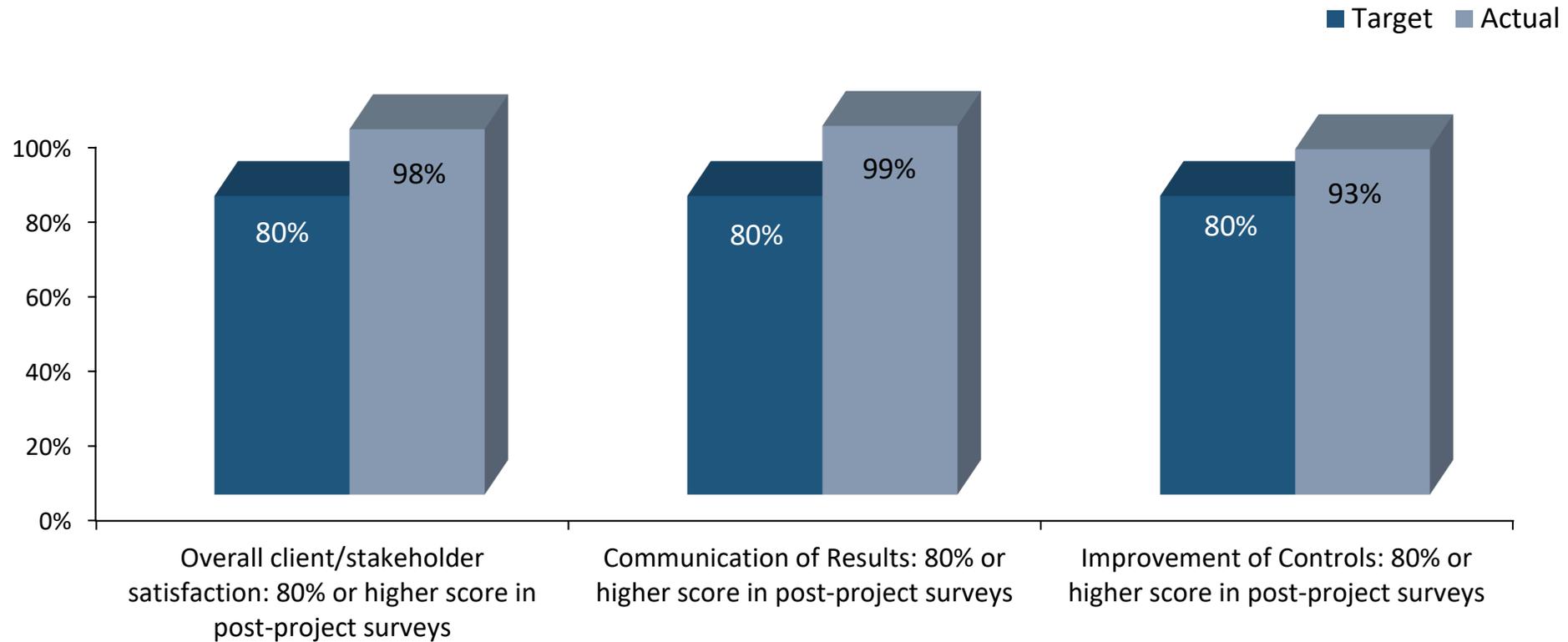
## Goal 1: Provide assurance to the board of trustees and senior management



# Detailed KPI Results



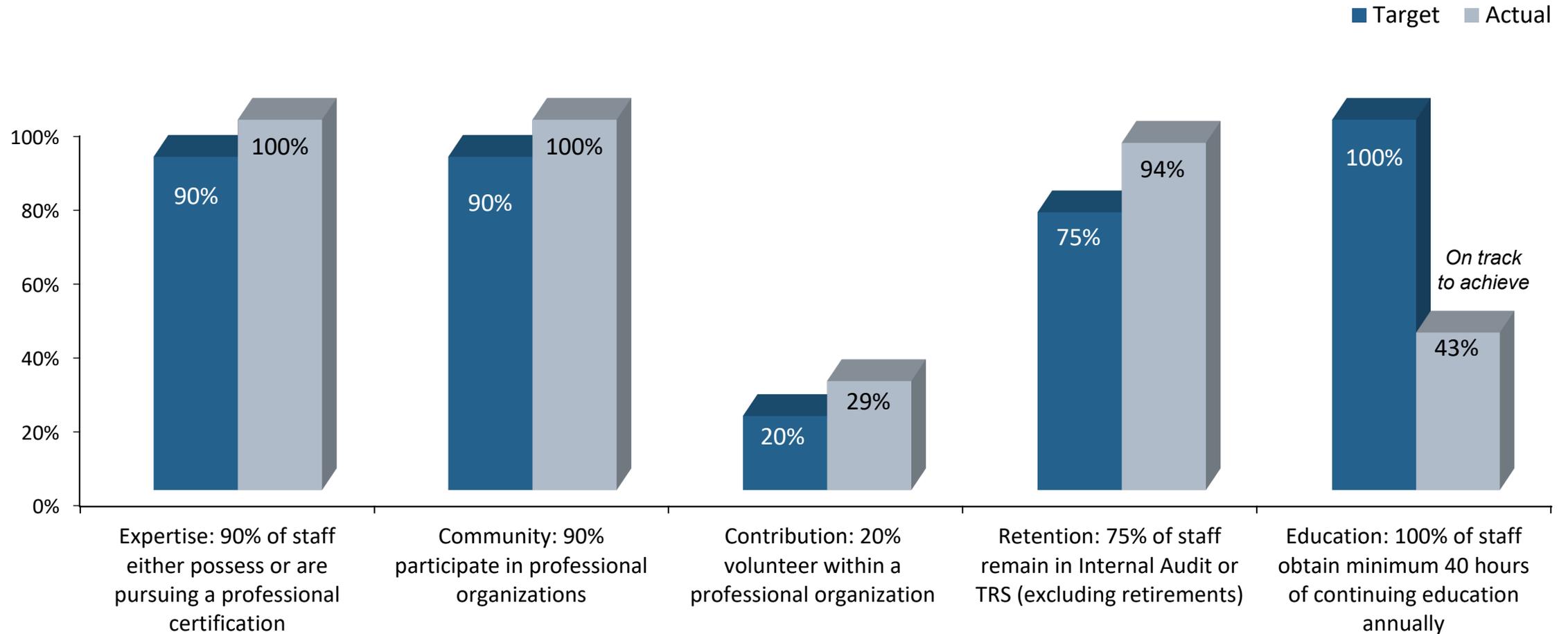
## Goal 2: Serve as trusted advisor to the board of trustees and management



# Detailed KPI Results



## Goal 3: Attract, develop & retain outstanding talent



# Detailed KPI Results



## Goal 4: Leverage technology

