

**September 2026**

# ASSURANCE

## **Audit, Compliance & Ethics Committee Meeting**



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

*All or part of the September 18, 2026, 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: **4655 Mueller Blvd, 2<sup>nd</sup> Floor, Boardroom.***

*The open portions of the September 18, 2026, 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**

**September 18, 2026 – 9:30 a.m.**

1. Call roll of Committee members.
2. Approve minutes of July 2026 Audit, Compliance and Ethics Committee meeting – Committee Chair.
3. Receive Crowe LLP's presentation on the planned financial audit of TRS Investment Company (TRICOT) – Kevin Smith, Crowe LLP.
4. 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
5. Consider recommending to the Board of Trustees adoption of the following: – Amanda Jenami
  - A. Internal Audit's Proposed Performance Objectives for Fiscal Year 2027; and
  - B. Proposed Audit Plan for Fiscal Year 2027
6. Receive the CAE Update including – Amanda Jenami:
  - A. Status of Prior Audit Recommendations;
  - B. Internal Audit's Key Performance Indicators and Status of Audit Plan;
  - C. Quality Assurance & Improvement Program (QAIP) – Annual Internal Quality Assurance Review;
  - D. Results of the Review of the Ethics Program; and
  - E. Results of the Review of Fixed Income Portfolio Operations.

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.

7. Receive the following Internal Audit report on Audit of TRS Reporting Entity Portal – Eli Marchlewski.
8. 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 – John Rutherford, 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**  
**July 16, 2026**

The Audit, Compliance and Ethics Committee of the Board of Trustees of the Teacher Retirement System of Texas met on July 16, 2026, in the boardroom located on the Second Floor of TRS' offices located at 4655 Mueller Blvd, Austin, Texas 78723.

**Committee members:**

Mr. Elvis Williams, Acting-Chair  
Ms. Laronda Graf  
Dr. Pete Pape  
Mr. Dan West

**Other TRS Board Members Present:**

Ms. Brittny Allred  
Mr. John Elliott  
Mr. Robert H. Walls, Jr.

**Others who participated:**

Brian Guthrie, TRS                      Benjamin Fox, Texas State Auditor's Office  
Caasi Lamb, TRS  
Heather Traeger, TRS  
Amanda Jenami, TRS  
Chris Bowlin, TRS  
Julie Toler, TRS  
Katherine Farrell, TRS

Mr. Elvis Williams, Acting-Chair, called the meeting to order at 2:25 p.m.

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

Ms. Farrell called the roll. A quorum was present. Mr. Rutherford was absent.

**2. Approve minutes of April 2026 Audit, Compliance and Ethics Committee meeting - Chair.**

On a motion by Ms. Graf, seconded by Mr. West, the committee voted to approve the proposed minutes for the April 2026 Audit, Compliance and Ethics Committee meeting, as presented.

- 3. Receive the State Auditor's Office's presentations - Benjamin Fox and Jeannette Garcia, SAO:**
  - A. Results of the Audit of TRS' Fiscal Year 2025 Pension Liability; and**
  - B. Other Post-Employment Benefits (OPEB) Liability Schedules.**

Mr. Benjamin Fox presented the results of the audits of TRS' fiscal year 2025 pension and OPEB liability schedules. He reported that the State Auditor's Office issued unmodified opinions on both schedules and concluded that the specified amounts were materially correct and presented in accordance with accounting principles generally accepted in the United States. He also reported that no material weaknesses or significant deficiencies in internal control were identified.

Mr. Fox reported that the audit identified no instances of management override of controls, changes in significant accounting practices, significant unusual transactions, audit difficulties, disagreements with management, corrected or uncorrected misstatements, fraud, noncompliance, or deficiencies in internal control.

- 4. Receive TRS Compliance reports including those related to ethics and fraud, conflicts of interest, investment policies, and Enterprise Risk Management Update - Heather Traeger, Chris Bowlin and Michelle Pagán.**

Mr. Chris Bowlin reviewed investment compliance testing for the quarter ending March 31, 2026. He reported that one Chief Investment Officer (CIO) conditional approval related to a private markets small-deals investment required development of an operational due diligence framework, which was completed to the CIO's approval in April. He also reported two passive Investment Policy Statement manager concentration violations that had previously been discussed with the Board in April. He stated that the remaining testing results for the quarter were green.

Ms. Heather Traeger reported two vendor conflicts involving law firms and one employee-related conflict. She stated that the vendor matters were resolved and the employee was recused from business related to the conflict. She also reported that five hotline investigations pending since the beginning of the fiscal year had been concluded, primarily as unsubstantiated, and that remedial action was taken in the substantiated matter.

Ms. Traeger reviewed the Enterprise Risk Management materials. She reported that artificial intelligence had been added as an enterprise risk, assessed at the guarded level, and identified as increasing because of the volume and pace of activity in that area.

- 5. Receive CAE Update including – Amanda Jenami:**
  - A. Status of Prior Audit Recommendations;**
  - B. Internal Audit's Key Performance Indicators and Status of Audit Plan; and**
  - C. Results of the Review of Project Governance.**

Ms. Amanda Jenami reported an increase in pending audit recommendations, primarily due to recommendations from audits issued in April. She stated that 24 of the 38 pending

recommendations were less than one year old and that Internal Audit continued to monitor the nine recommendations older than two years.

Ms. Jenami reported that Internal Audit remained on track to meet or exceed its performance targets, was progressing toward completion of the fiscal year 2026 Audit Plan, and was exceeding stakeholder satisfaction and staff retention targets.

Ms. Jenami reviewed the results of the Review of Project Governance, which focused on TRS' process for intake, evaluation, and prioritization of non-artificial intelligence projects. She reported that Internal Audit observed a structured process and identified opportunities to strengthen the program through formal documentation and more comprehensive procedures.

**6. Receive Individual Internal Audit Reports:**

**A. Review of Real Estate Portfolio Operations– Syed Israr.**

Ms. Julie Toler presented the results of the Review of Real Estate Portfolio Operations. She reported that Internal Audit reached a positive overall conclusion and found that activities were operating effectively within established governance, oversight, and due diligence frameworks. She identified two opportunities for improvement related to retention of key investment documentation and risk monitoring metrics for real estate strategies using publicly traded securities. She stated management agreed with both recommendations and planned to implement corrective actions by September 2026.

**B. Audit of Data Loss Prevention – Jack Henserling.**

**C. Review of Cyber Controls - Troy Dearing, Kudelski Security.**

At 2:48 p.m., Mr. Williams announced that the committee would recess into executive session under Sections 551.076, 551.0761, 551.089, and 551.071 of the Texas Government Code to discuss the Audit of Data Loss Prevention and the Review of Cyber Controls and to consult with legal counsel, as needed.

At 3:14 p.m., Mr. Williams reconvened the committee in open meeting.

**7. 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.**

There was no discussion on this item.

There being no further business before the Committee, the meeting concluded at 3:14 p.m.

Approved by the Audit, Compliance and Ethics Committee of the Board of Trustees of the Teacher Retirement System of Texas on September \_\_\_\_\_, 2026.

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John R. Rutherford  
Chair, Audit, Compliance and Ethics Committee

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Date

Board of Trustees  
Teacher Retirement System of Texas



# **Audit, Compliance & Ethics Committee Meeting**

**Presentation Date  
September 18, 2026**



# Teacher Retirement Investment Company of Texas LTD. (TRICOT)

Audit Plan – August 31, 2026

**Kevin W. Smith, Partner**  
September 18, 2026



# Agenda

Your Crowe Service Team

Audit Timeline

Audit Scope

Independence Considerations

# Crowe Client Service Team



**Kevin W. Smith**  
Partner



**Ben Levy**  
Manager



**Michelle Buss**  
Senior Manager



**Jimmy Yuan**  
Senior Staff

# Your Crowe Service Team

| Role                        | Name                                                                                                        | Definition of Role                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Audit Partner</b>        | Kevin W. Smith<br><a href="mailto:kevin.w.smith@crowe.com">kevin.w.smith@crowe.com</a><br>+1 (214) 777 5208 | Kevin will serve as the engagement partner, responsible for establishing the strategic direction and execution of all services. He will be directly responsible for quality control throughout the engagement and will verify that all reports and audit workpapers adhere to professional standards prior to issuance.                                                                                          |
| <b>Audit Senior Manager</b> | Michelle Buss<br><a href="mailto:michelle.buss@crowe.com">michelle.buss@crowe.com</a><br>+1 (214) 777 5216  | Michelle will serve as the senior manager over all aspects of the audit. Her responsibilities will include planning the audit, leading, and monitoring all stages of the audit, facilitating communications with the partner, concurring review partner, TRICOT management, TRS Internal Audit and audit team. She will also review all workpapers as part of our quality control process and review the report. |
| <b>Audit Manager</b>        | Ben Levy<br><a href="mailto:ben.levy@crowe.com">ben.levy@crowe.com</a><br>+1 (469) 250 3145                 | Ben will serve as the manager, in charge of planning the audit, coordinating with the audit team and TRICOT management, assigning test work and overseeing staff in the day-to-day execution of the audit plan.                                                                                                                                                                                                  |
| <b>Audit Senior Staff</b>   | Jimmy Yuan<br><a href="mailto:xin.yuan@crowe.com">xin.yuan@crowe.com</a><br>+1 (214) 777-5283               | Jimmy will serve as the senior staff, in charge of performing test work in the day-to-day execution of the audit plan.                                                                                                                                                                                                                                                                                           |

# Audit Timeline

| Dates                              | Task                                             |
|------------------------------------|--------------------------------------------------|
| September 2026                     | Planning and interim fieldwork                   |
| September 18, 2026                 | Communication of audit plan to audit committee   |
| October 5, 2026 – October 23, 2026 | Crowe to perform final fieldwork                 |
| October 30, 2026                   | Planned opinion date                             |
| December 2026                      | Presentation of audit results to audit committee |

# Audit Scope

Significant Accounting Policies and Estimates

Internal Controls

Significant Risks

Materiality

Matters warranting attention of the auditors

# Independence Considerations

## Non-Attest Services Performed by Crowe

None

We wish to report that we are not aware of any relationship between Crowe LLP and TRICOT that, in our professional judgment, may reasonably be thought to impair our independence.

Accordingly, and relating to our audit of the August 31, 2026, financial statements, we are independent certified public accountants with respect to the Teacher Retirement Investment Company of Texas, Ltd, within the meaning of the applicable pronouncements of the Independence Standards Board under Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, its interpretations and rulings.



# Thank You

**Kevin W. Smith**

Audit Partner

217.777.5208

[kevin.w.smith@crowe.com](mailto:kevin.w.smith@crowe.com)

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# **Legal & Compliance**

**Quarterly Compliance Report**

**Sept. 18, 2026**

**Heather Traeger & Chris Bowlin**

Quarterly Investment Compliance Testing  
Investment Policy Statement (IPS) and Securities Lending Policy (SLP)  
Quarter ending June 30, 2026

| Procedures Performed                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Test Results                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Business Objective 1: Board Reports</u><br>All required information is reported to the TRS Board of Trustees                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <ul style="list-style-type: none"> <li>Obtain evidence that all requirements were 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>                                                                                                                                                                                                                                                                                                                                 |
| <u>Business Objective 2: Investment Selection and Approval</u><br>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 IMD evaluated hedge fund classification</li> <li>Obtain evidence that approved investments were within policy limits</li> <li>Review the allocation of funds added to previously approved investments for purposes of rebalancing or adjusting risks</li> </ul> | <ul style="list-style-type: none"> <li>Each investment tested had a completed questionnaire prior to IIC date.</li> <li>A hedge fund analysis was included in IIC materials for all investments tested.</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>Each investment tested was within policy limits.</li> </ul> |
| <u>Business Objective 3: Other (IPS, SLP, other reporting)</u><br>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 guidelines</li> <li>Obtain evidence that all board serving requirements were met</li> <li>Obtain evidence that Restricted Securities lists were updated, and reports filed</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> <li>All reporting requirements were met and documentation provided.</li> <li>Restricted Securities lists were timely updated and reports filed.</li> </ul>                                                                                                                                         |

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



# **Legal & Compliance**

Enterprise Risk Management

Sept. 18, 2026

**Michelle Pagán | Director of Enterprise  
Risk, Strategy & Performance**

# Overview



## Agenda

- Enterprise Stoplight Report
- Category Risk Level Changes & Trending
- Risk Trending Dashboard

# Enterprise Stoplight Report \* - September 2026

|                                                                                                           |                                                                                                                    |                                                                                                                         |                                                                                                                         |                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
|  Artificial Intelligence |  Business Continuity              |  Communications & External Relations |  Cybersecurity                       |  Data Privacy & Confidentiality |
|  Employer Reporting      |  Enterprise Technology            |  External Fraud                      |  Facilities, Safety & Security       |  Financial Operations           |
|  Global Operations       |  Health Care Plans Administration |  Internal Fraud                      |  Pension Funding                     |  Pension Services               |
|  Portfolio Exposure      |  Procurement & Contracts          |  Records & Information Management    |  Regulatory, Compliance & Litigation |  Talent Continuity              |
|  TEAM Program           |  TRS-ActiveCare Affordability    |  TRS-Care Funding                   |                                                                                                                         |                                                                                                                    |

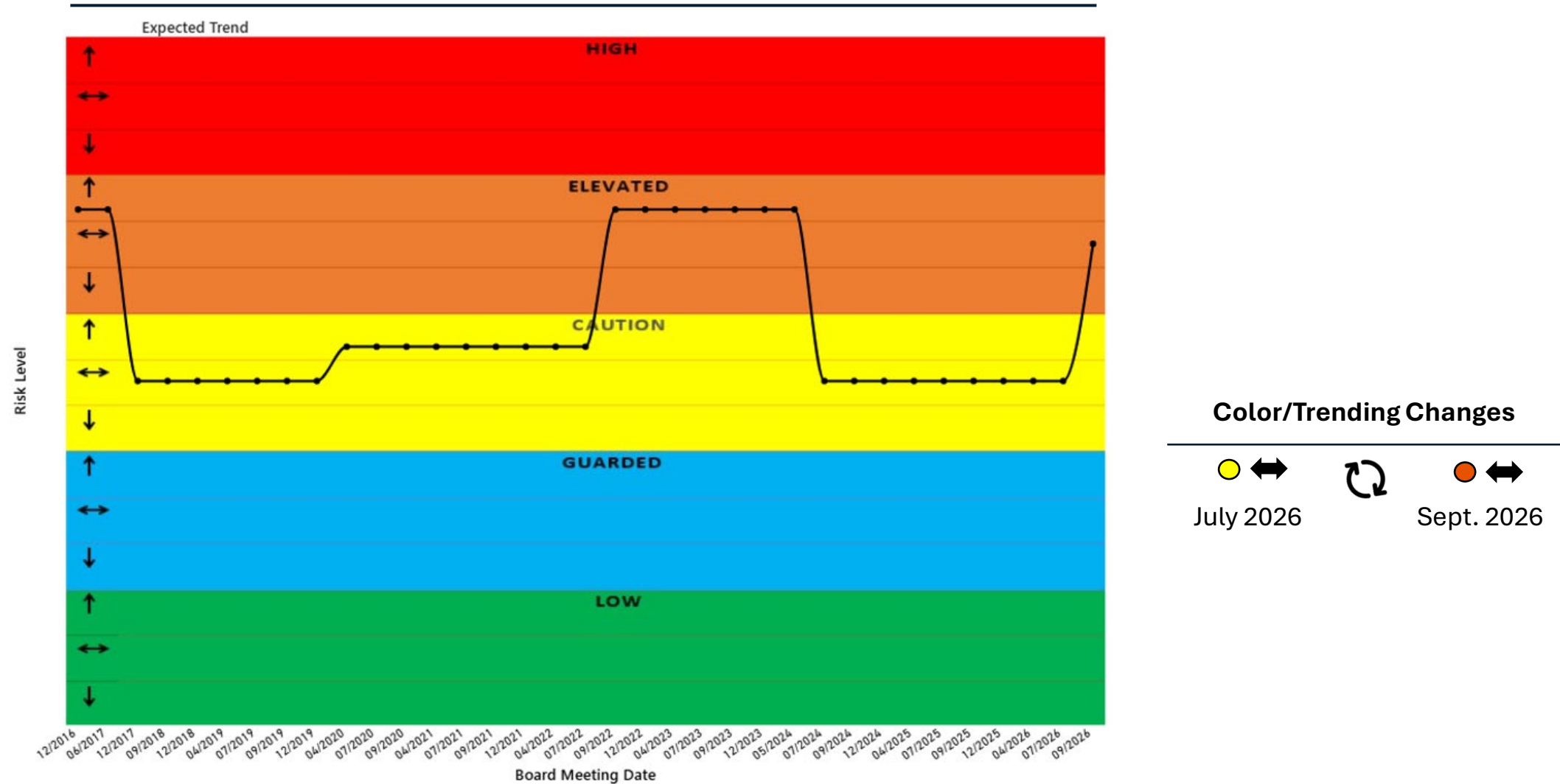
| RISK CATEGORY LEVEL - Threat to Achieving TRS Goals & Objectives |                                                                                     |          |                                                                                     |         |                                                                                      |         |                                                                                       |     |                                                                                       |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------|---------|--------------------------------------------------------------------------------------|---------|---------------------------------------------------------------------------------------|-----|---------------------------------------------------------------------------------------|
| 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.

# Category Risk Level Changes & Trending

Risk Category: TRS-ActiveCare Affordability



# Risk Trending Dashboard

| Enterprise Risk Categories<br>September 2026 | Current Risk Level | Expected Trend<br>12-24 months | 10-Year Historical Trend |
|----------------------------------------------|--------------------|--------------------------------|--------------------------|
| Cybersecurity                                | Elevated           | Increase                       |                          |
| Enterprise Technology                        | Elevated           | Increase                       |                          |
| Pension Funding                              | Elevated           | Increase                       |                          |
| TRS-ActiveCare Affordability                 | Elevated           | Stable                         |                          |
| Records & Information Management             | Elevated           | Decrease                       |                          |
| Communications & External Relations          | Caution            | Stable                         |                          |
| Data Privacy & Confidentiality               | Caution            | Stable                         |                          |
| External Fraud                               | Caution            | Stable                         |                          |
| Health Care Plans Administration             | Caution            | Stable                         |                          |
| Procurement & Contracts                      | Caution            | Stable                         |                          |
| Business Continuity                          | Caution            | Decrease                       |                          |
| Artificial Intelligence                      | Guarded            | Increase                       |                          |
| Pension Services                             | Guarded            | Increase                       |                          |
| Talent Continuity                            | Guarded            | Increase                       |                          |
| Employer Reporting                           | Guarded            | Stable                         |                          |
| Facilities, Safety & Security                | Guarded            | Stable                         |                          |
| Financial Operations                         | Guarded            | Stable                         |                          |
| Global Operations                            | Guarded            | Stable                         |                          |
| Internal Fraud                               | Guarded            | Stable                         |                          |
| Regulatory, Compliance & Litigation          | Guarded            | Stable                         |                          |
| Portfolio Exposure (i.e., Market)            | Low                | Stable                         |                          |
| TRS-Care Funding                             | Low                | Stable                         |                          |
| TEAM Program                                 | Low                | Decrease                       |                          |



# Internal Audit

## Proposed Performance Objectives for FY2027

Presentation Date  
**Sept. 18, 2026**

Presented By  
**Amanda Jenami, CPA, CISA, CIA,  
CIDA, AAIA, AAISM, AAIR, CISM,  
CDPSE, CRISC, CFSA, CFE, CRMA,  
CGAP, CCSA**

# Standard 8.3: Quality

## Requirements: Essential Conditions (the board)

- Approve the internal audit function's performance objectives *at least annually*
- Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes:
  - a. Reviewing the internal audit function's performance objectives, and progress towards completion of the internal audit plan
  - b. Determining the extent to which the internal audit function's performance objectives are being met



# Standard 8.3: Quality – Strategic Goals



## Goal 1

Provide assurance to the board of trustees and senior management

## Goal 2

Serve as trusted advisor to the board of trustees and management

## Goal 3

Attract, develop and retain outstanding talent

## Goal 4

Develop and leverage technological solutions

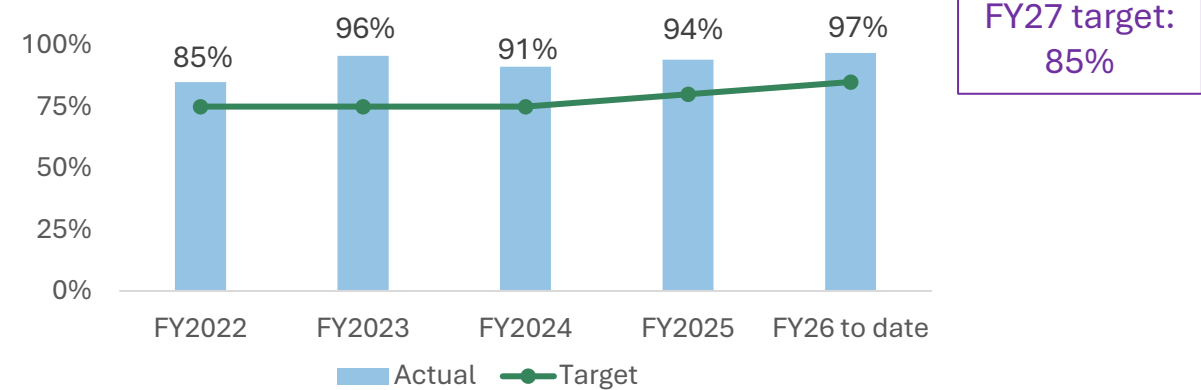
# Proposed Performance Objectives



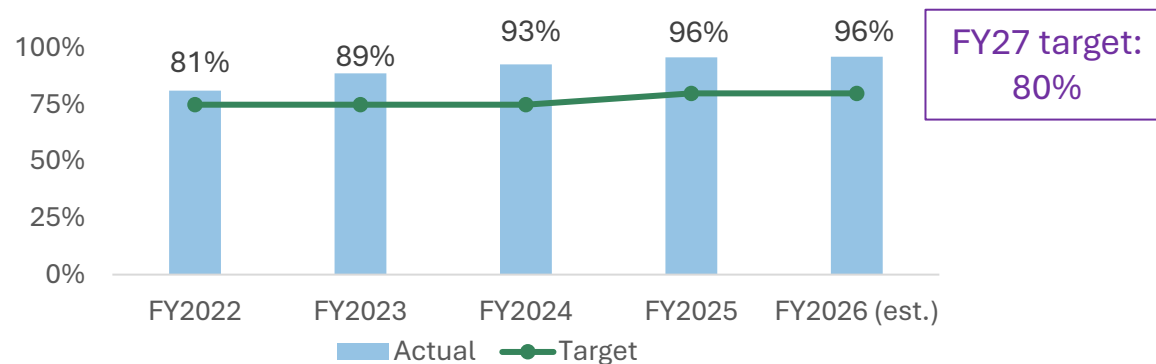
% of Key Projects completed in the fiscal year



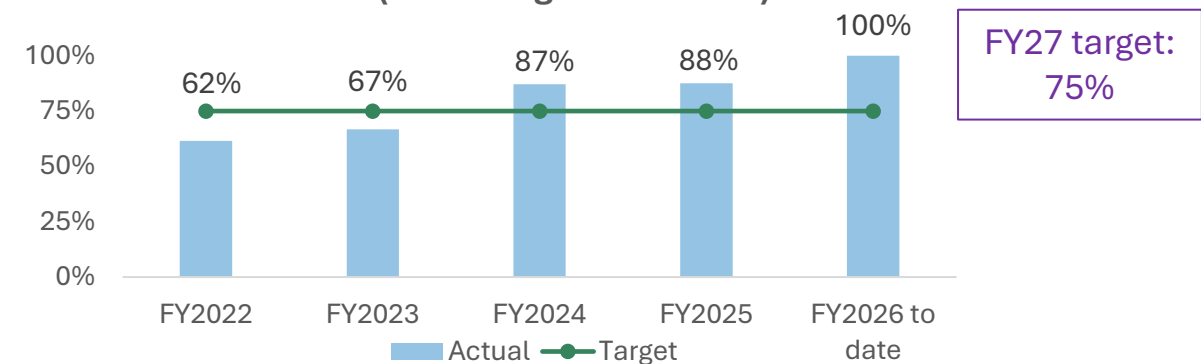
Post-project survey score:  
Overall client/stakeholder satisfaction



% of Audit Plan completed in the fiscal year



Retention: 75% of staff remain in Internal Audit or TRS (excluding retirements)





# Questions



# Internal Audit

## Proposed Audit Plan for FY2027

Presentation Date  
**Sept. 18, 2026**

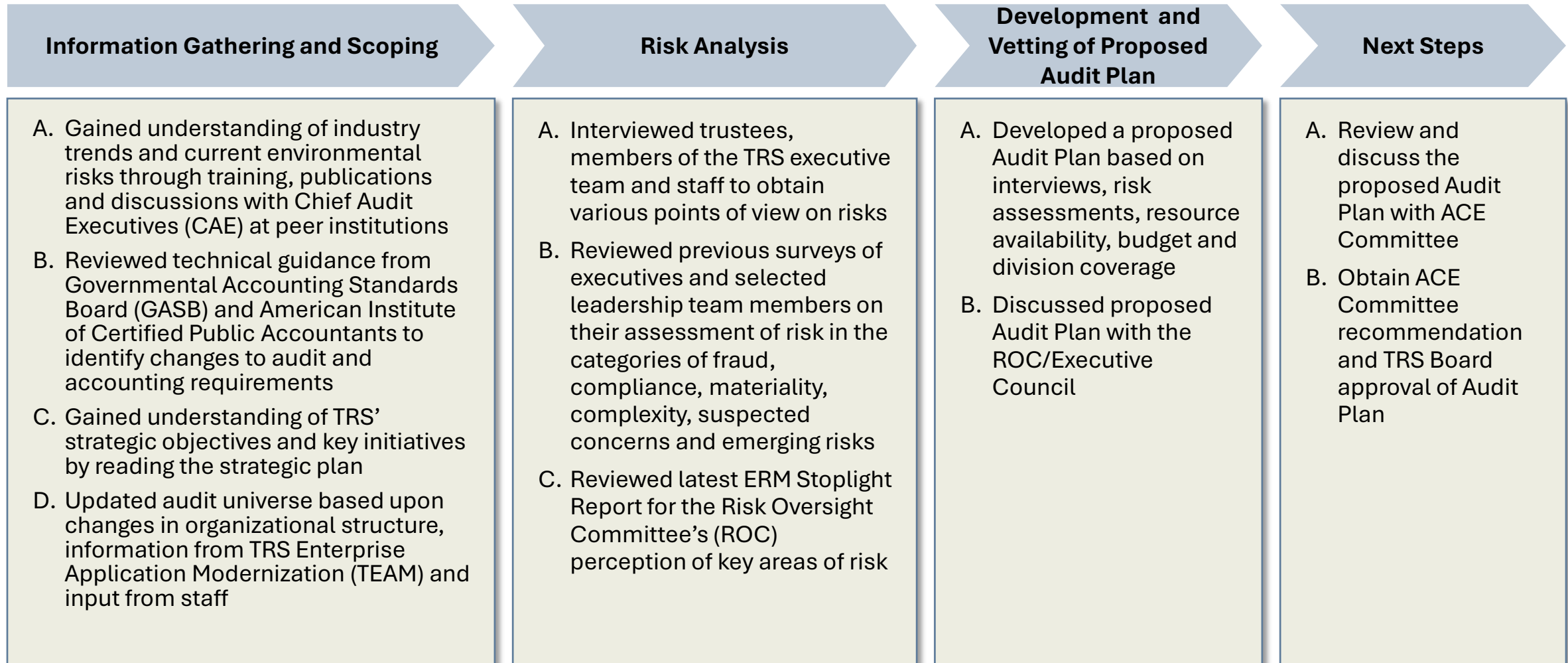
Presented By

**Amanda Jenami, CPA, CISA, CIA,  
CIDA, AAIA, AAISM, AAIR, CISM,  
CDPSE, CRISC, CFSA, CFE, CRMA,  
CGAP, CCSA**

# Risk Assessment & Audit Planning Approach



*Interviews of TRS trustees, executives and staff, risk assessment surveys from prior years and the current TRS Risk Assessment developed by the Enterprise Risk Management (ERM) team were used to identify areas of risk and potential internal audit projects. This information was combined into an overall audit plan designed to address critical risks to achieving TRS objectives while being sensitive to operational requirements. The Audit Plan also includes hours for ad hoc projects and special requests. The following approach was taken in creating the Audit Plan:*



# Audit Plan: Key Audits for FY2027



| Ranking | Title                                                                    | Audit Risk Rating                                                                   | Last Audited | Preliminary Scope                                                                                                                                                                                                                                                                                      |
|---------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | Review of Cyber Controls                                                 |    | 2026         | Perform a penetration test of TRS' internet-facing information technology infrastructure and external attack surface to identify exploitable vulnerabilities and weaknesses that could be leveraged by external threat actors.                                                                         |
| 2       | Identity & Impersonation Risk Audit                                      |    | n/a          | Determine whether controls across identity management processes and business operations are designed and operating effectively to prevent, detect and respond to impersonation and identity-based attacks.                                                                                             |
| 3       | Annual Comprehensive Financial Report (ACFR) Testing of Annuity Payments |    | 2026         | Conduct pension benefits testing on behalf of the State Auditor's Office (SAO) to be used in completion of the ACFR audit.                                                                                                                                                                             |
| 4       | Healthcare Claims Data Analysis                                          |  | 2026         | Analyze medical and pharmacy claims processed by TRS plan administrators for: Appropriate provider billing in alignment with healthcare industry standards, and vendor compliance with regulations, TRS plan policies and contract requirements.                                                       |
| 5       | Pension Services Data Analysis                                           |  | 2026         | Assess pension data within Teacher Retirement Unified System for Technology (TRUST) for completeness, accuracy, integrity and overall reasonableness to support operational and financial decision-making. Including but not limited to: Reporting Employer, benefit payments and member account data. |

# Audit Plan: Key Audits for FY2027 Continued



| Ranking | Title                                                       | Audit Risk Rating                                                                   | Last Audited | Preliminary Scope                                                                                                                                                                                                                                                                                          |
|---------|-------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6       | Audit of System Development Lifecycle                       |    | n/a          | Determine whether the system development life cycle (SDLC) is designed and operating effectively to ensure that applications and system changes are planned, developed, tested, approved, implemented and maintained in a controlled manner that supports security, reliability and business requirements. |
| 7       | Review of Quantitative Equity (iQuant) Portfolio Operations |    | 2020         | Determine whether Quantitative Equity portfolio operations include sufficient controls to ensure investments are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.                                                                            |
| 8       | Review of Private Equity Portfolio Operations               |    | 2023         | Determine whether Private Equity portfolio operations include sufficient controls to ensure investments are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.                                                                                 |
| 9       | Review of Service Credit Purchase                           |  | 2014         | Assess whether the service credit purchase process has effective controls over eligibility, cost calculation, approval and payment posting to ensure purchased credit is accurate, authorized and complies with statute and TRS policy.                                                                    |
| 10      | Review of TRS-ActiveCare Regional Ratings                   |  | n/a          | Assess Health Division processes to develop, implement, monitor and report whether TRS-ActiveCare regional ratings meet their intended objective, including compliance with relevant state requirements..                                                                                                  |

# Audit Plan: High Risk Areas



*High Risk Areas are defined as (High, Elevated, or Caution).  
Areas of interest to the SAO (e.g., Procurement and IT Security) that are not included in the Audit Plan.*

| Area                               | Reason for Exclusion                                                                                                                                      |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Records and Information Management | The area was audited in FY2022. Internal Audit plans to perform a follow-up review when most of the audit recommendations are implemented, around FY2030. |
| Pension Funding                    | Awaiting the results of and legislative action that will come out of the TRS Pension Design Study.                                                        |



# APPENDIX A

## Detailed Audit Plan by Area

# Audit Plan: Executive & Administrative Services



| Title                                                                    | Type            | Preliminary Objective                                                                                                                                                                                              | Timing  |
|--------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Annual Comprehensive Financial Report (ACFR) Testing of Annuity Payments | Audit           | Conduct pension benefits testing on behalf of the State Auditor's Office (SAO) to be used in completion of the ACFR audit.                                                                                         | Q1      |
| Review of Mass Mailing                                                   | Audit           | Evaluate mass mailing processes, including the processes for determining mailing content, preparation of physical mail and Information Technology (IT) systems responsible for member targeting and data integrity | Q3 – Q4 |
| Follow-up of Prior Audits                                                | Audit           | Determine whether management has implemented recommendations from prior audits.                                                                                                                                    | Q1 – Q4 |
| Special requests, initiatives and emerging issues                        | Formal Advisory | Set aside time to address special requests, initiatives and emerging issues during the year as requested by management.                                                                                            | Q1 – Q4 |

# Audit Plan: Pension Services



| Title                              | Type                   | Preliminary Objective                                                                                                                                                                                                                                                                                  | Timing  |
|------------------------------------|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| ACFR Testing of Annuity Payments*  | Audit                  | Conduct pension benefits testing on behalf of the State Auditor's Office (SAO) to be used in completion of the ACFR audit.                                                                                                                                                                             | Q1      |
| Review of Service Credit Purchase* | Audit                  | Assess whether the service credit purchase process has effective controls over eligibility, cost calculation, approval and payment posting to ensure purchased credit is accurate, authorized and complies with statute and TRS policy.                                                                | Q2 – Q3 |
| Reporting Employer Audits          | Agreed-upon Procedures | Utilize data analytics and other tools to identify anomalies in employer reporting (to TRS), in eligibility, compensation, contributions, surcharges and other areas.                                                                                                                                  | Q3 – Q4 |
| Pension Services Data Analysis*    | Continuous Audit       | Assess pension data within Teacher Retirement Unified System for Technology (TRUST) for completeness, accuracy, integrity and overall reasonableness to support operational and financial decision-making. Including but not limited to: Reporting Employer, benefit payments and member account data. | Q1 – Q4 |

# Audit Plan: Health Care



| Title                            | Type             | Preliminary Objective                                                                                                                                                                                    | Timing  |
|----------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| TRS-ActiveCare Regional Ratings* | Audit            | Review Health Division processes to develop, implement, monitor and report whether TRS-ActiveCare regional ratings meet their intended objective, including compliance with relevant state requirements. | Q1 – Q2 |
| Healthcare Claims Data Analysis  | Continuous Audit | Analyze medical and pharmacy claims for appropriate provider billing and compliance with regulations and TRS plan policies and alignment with health care industry standards.                            | Q1 – Q4 |
| Healthcare Claims Data Analysis  | Continuous Audit | Analyze medical and pharmacy claims processed by TRS plan administrators for compliance with contract requirements.                                                                                      | Q1 – Q4 |

# Audit Plan: Investments



| Title                                                        | Type              | Preliminary Objective                                                                                                                                                                                                                                                                                                                         | Timing  |
|--------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Review of Quantitative Equity (iQuant) Portfolio Operations* | Audit             | Determine whether Quantitative Equity portfolio operations include sufficient controls to ensure investments are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.                                                                                                               | Q1 – Q2 |
| Review of Private Equity Portfolio Operations*               | Audit             | Determine whether Private Equity portfolio operations include sufficient controls to ensure investments are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.                                                                                                                    | Q2 – Q3 |
| Review of Internal Netting / Cost Transfer Activities        | Audit             | Determine whether internal netting and cost transfer activities include sufficient controls to ensure transactions are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.                                                                                                         | Q3 – Q4 |
| Review of Investment Compliance Program                      | Reserve           | Determine whether the Investment Compliance Program is designed and operating effectively to identify, monitor, assess and report compliance with investment-related policies, regulatory requirements and governance standards and to provide reliable oversight of compliance risks across Investment Management Division (IMD) operations. | N/A     |
| Investment Committee attendance, etc.                        | Informal Advisory | Stay current on portfolio strategy and IMD initiatives by attending Internal Investment Committee, monthly staff and other meetings.                                                                                                                                                                                                          | Q1 – Q4 |
| Special requests, initiatives and emerging issues            | Formal Advisory   | Set aside time to address special requests, initiatives and emerging issues during the year as requested by Management.                                                                                                                                                                                                                       | Q1 – Q4 |

# Audit Plan: Information Technology



| Title                                      | Type     | Preliminary Objective                                                                                                                                                                                                                                                                                                          | Timing  |
|--------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Audit of System Development Lifecycle*     | Audit    | Determine whether the system development life cycle (SDLC) is designed and operating effectively to ensure that applications and system changes are planned, developed, tested, approved, implemented, and maintained in a controlled manner that supports security, reliability, and business requirements.                   | Q1      |
| Identity & Impersonation Risk Audit*       | Audit    | Determine whether controls across identity management processes and business operations are designed and operating effectively to prevent, detect, and respond to impersonation and identity-based attacks.                                                                                                                    | Q2      |
| Review of Cyber Controls*                  | Audit    | Perform a penetration test of TRS's internet-facing information technology infrastructure and external attack surface to identify exploitable vulnerabilities and weaknesses that could be leveraged by external threat actors.                                                                                                | Q3      |
| Application Programming Interface Security | Advisory | Provide advisory services to evaluate the design, implementation, and maturity of controls governing application programming interfaces (APIs) and identify opportunities to strengthen security across the API lifecycle, including authentication, authorization, data protection, configuration management, and monitoring. | Q3 – Q4 |
| Post-implementation Review of PBT          | Reserve  | Assess whether IT controls supporting the PBT application are operating effectively following implementation, including access management, change management, system interfaces, and application controls.                                                                                                                     | n/a     |

# Audit Plan: Internal Audit Activities



| Title                                     | Project Description                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual Internal Audit Report              | Prepare annual report of audit activities in accordance with SAO instructions.                                                                                                                                                                                                                                                                                                 |
| Annual Internal Audit Quality Assurance   | Perform and Report on Internal Audit Quality Assurance Improvement Program (QAIP) Self –Assessment.                                                                                                                                                                                                                                                                            |
| Quarterly Audit Recommendations Follow-Up | Follow-up and report on the status of outstanding audit recommendations.                                                                                                                                                                                                                                                                                                       |
| Data Analysis Process Buildout            | Continue to build out data analysis skills of audit staff; incorporate into audit projects and annual audit plan development. Continue to enhance the newly implemented continuous auditing program by researching and developing automated scripts for testing data related to health care, pension and administrative areas such as Procurement and Vendor e-system (PAVES). |
| Staff Training Initiative                 | Develop and launch auditor training in key areas including report writing, workpaper documentation and audit risk assessment.                                                                                                                                                                                                                                                  |
| Fiscal Year 2028 Audit Plan               | Prepare annual audit plan based on a documented risk assessment in accordance with professional auditing standards and the Act.                                                                                                                                                                                                                                                |
| ACE Committee Meeting Preparation         | Prepare communications and attend ACE Committee and Board meetings.                                                                                                                                                                                                                                                                                                            |



# APPENDIX B

## Proposed Data Analytics Projects for FY2027

# Appendix B: Proposed Audit Plan for Data Analytics



| Title                                       | Project Type     | Preliminary Objective                                                                                                                                                                                                                         | Quarter |
|---------------------------------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Direct Bill Consolidation Testing           | Formal Advisory  | Assess the completeness and accuracy of direct bill consolidation data prior to implementation to support a successful system transition.                                                                                                     | Q1      |
| Diagnosis-Related Group (DRG) Data Analysis | Formal Advisory  | Analyze inpatient claims data to identify utilization trends, cost drivers and potential areas of risk associated with high-severity DRGs.                                                                                                    | Q1 – Q2 |
| Review of Tiered Network Pilot              | Formal Advisory  | Evaluate implementation alignment of the Tiered Network Pilot with TRS program design objectives and established requirements.                                                                                                                | Q2      |
| Data Analysis of Medical Policies           | Formal Advisory  | Assess the effectiveness of controls governing services subject to selected medical policies and identify potential opportunities for improved compliance.                                                                                    | Q3      |
| Data Analysis of Industry Practices         | Formal Advisory  | Assess selected healthcare service controls against recognized industry practices to identify opportunities to strengthen oversight and program performance.                                                                                  | Q3      |
| TRS-Care Surcharge Testing                  | Formal Advisory  | Validate the completeness and accuracy of TRS-Care surcharge calculations and adjustments prior to implementation.                                                                                                                            | Q4      |
| Pension Services Data Analysis              | Continuous Audit | Assess pension data within for completeness, accuracy, integrity and overall reasonableness to support operational and financial decision-making. Including but not limited to: Reporting Employer, benefit payments and member account data. | Q1 – Q4 |
| Data Analysis Process Buildout              | Continuous Audit | Enhance and maintain analytics capabilities, including automated scripts and reporting tools, to improve audit efficiency, coverage and risk identification.                                                                                  | Q1 – Q4 |



Questions?



# **Internal Audit**

## **Chief Audit Executive Update**

**Presentation Date**  
**Sept. 18, 2026**

**Presented By**  
**Amanda Jenami, CPA, CISA, CIA,**  
**CIDA, AAIA, AAISM, AAIR, CISM,**  
**CDPSE, CRISC, CFSA, CFE, CRMA,**  
**CGAP, CCSA**

# Topics for Discussion



- A. Status of Prior Audit Recommendations
- B. Update on Internal Audit's (IA's) Key Performance Indicators (KPIs) and Status of Audit Plan
- C. Annual Internal Audit Quality Assurance Review
- D. Appendix
  - I. Upcoming Audit Reports
  - II. Recommendations Older Than Two Years
  - III. Review of Ethics Program
  - IV. Review of Fixed Income Portfolio Operations

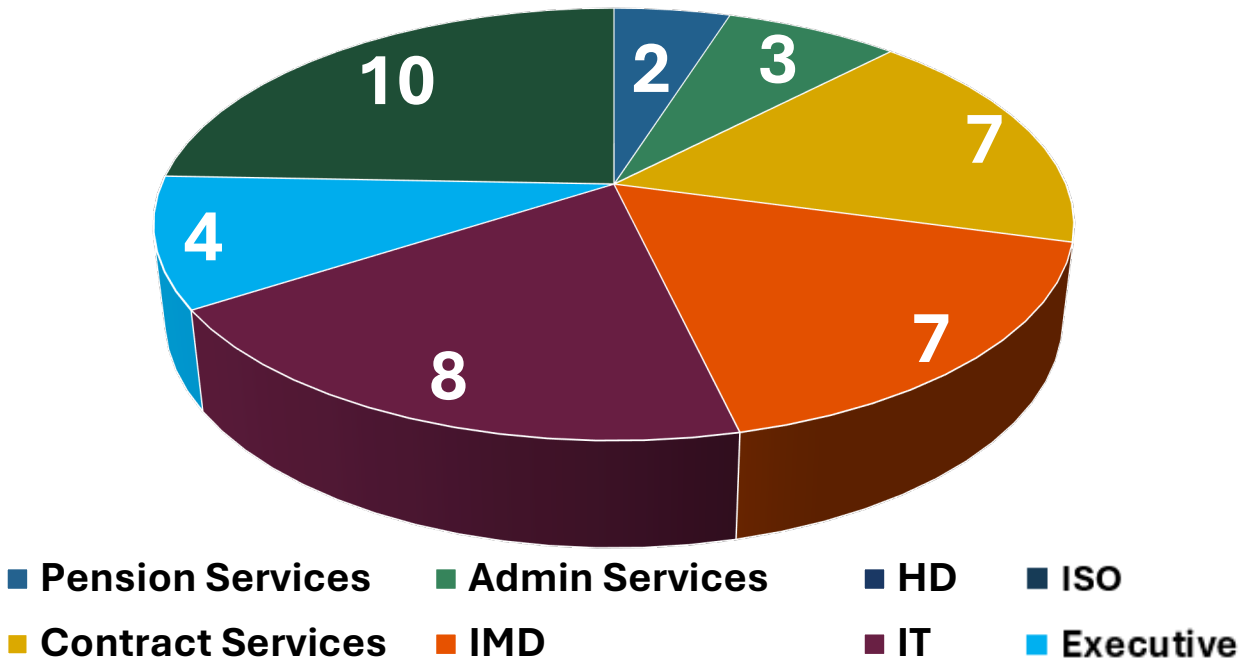


## **A. Status of Prior Audit Recommendations**

# Highlights: Status of Prior Audit Recommendations



Ownership of Pending Recommendations



Implementation Status



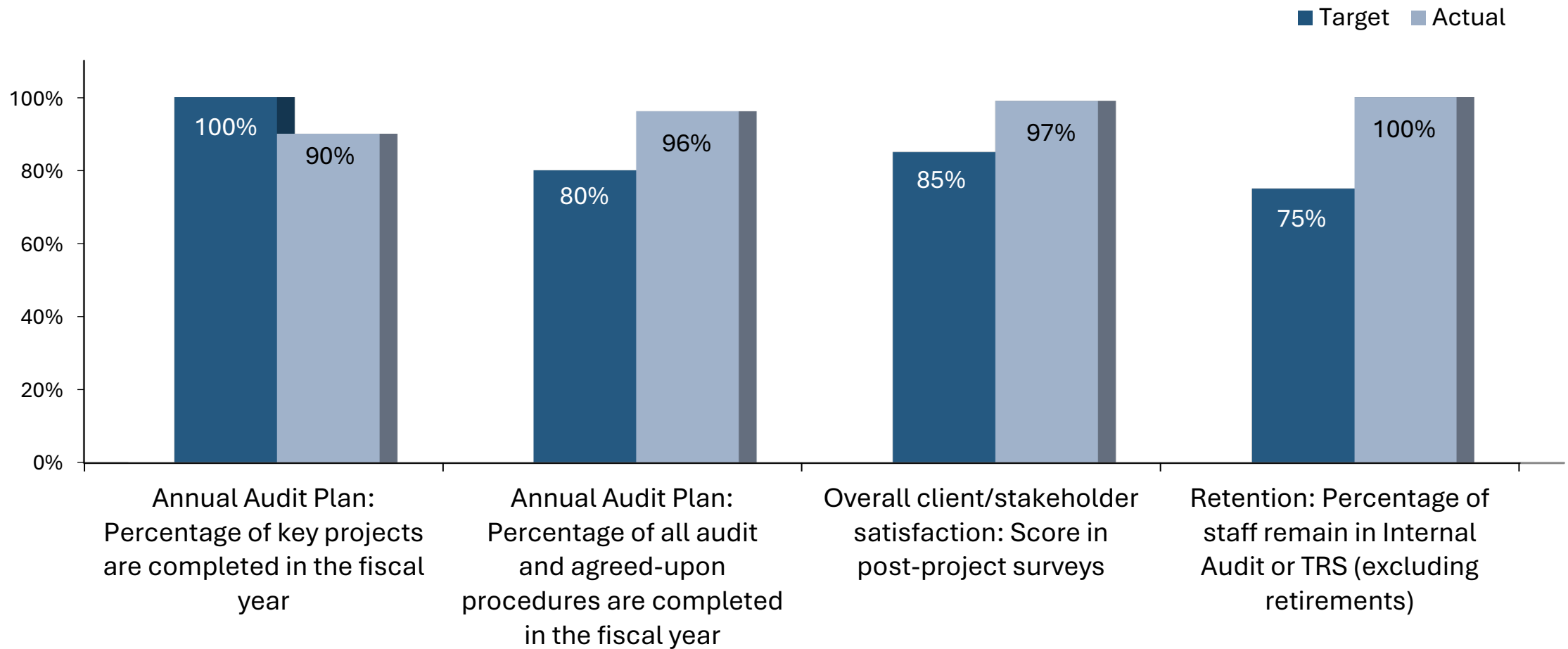
Age of Pending Recommendations





## **B. Update on IA's KPIs and Status of Audit Plan**

# FY26 Strategic KPIs



# Detailed FY26 Audit Plan Status: Audit & Formal Advisory Projects



|                                                                                        | Complete | In Progress | Pending |
|----------------------------------------------------------------------------------------|----------|-------------|---------|
| Executive & Business Administration                                                    |          |             |         |
| Review of Communications                                                               | ✓        |             |         |
| Review of the Ethics Program                                                           | ✓        |             |         |
| Review of Project Governance                                                           | ✓        |             |         |
| Follow-Up of Prior Audits                                                              | ✓        |             |         |
| Special requests, initiatives and emerging Issues (all divisions)                      | ✓        |             |         |
| Health                                                                                 |          |             |         |
| Review of Enrollment and Eligibility File Processes                                    | ✓        |             |         |
| Review of SB 1264 Processes                                                            | ✓        |             |         |
| <b>Healthcare Claims Data Analysis (Provider Compliance &amp; Industry Standards)*</b> | ✓        |             |         |
| Healthcare Claims Data Analysis (Contract requirements)                                | ✓        |             |         |
| Review of Mass Mailings ( <i>cancelled</i> )                                           |          |             |         |
| Pension                                                                                |          |             |         |
| <b>ACFR Testing of Annuity Payments*</b>                                               | ✓        |             |         |
| <b>Review of Death Claims*</b>                                                         |          | ✓           |         |
| <b>Reporting Employer Data Analysis*</b>                                               | ✓        |             |         |

|                                                    | Complete | In Progress | Pending |
|----------------------------------------------------|----------|-------------|---------|
| Investments                                        |          |             |         |
| <b>Review of Custodian Controls*</b>               | ✓        |             |         |
| Review of Fixed Income Portfolio Operations        | ✓        |             |         |
| <b>Review of Real Estate Portfolio Operations*</b> | ✓        |             |         |
| Information Technology                             |          |             |         |
| <b>Audit of Cloud Computing*</b>                   | ✓        |             |         |
| <b>Audit of Data Loss Prevention*</b>              | ✓        |             |         |
| <b>Review of Cyber Controls*</b>                   | ✓        |             |         |
| <b>Audit of TRS Reporting Entry Portal*</b>        | ✓        |             |         |
| Data Analytics                                     |          |             |         |
| Anti-Depression Pharmacy Claims Testing            | ✓        |             |         |
| Benefit Matrices and Experimental Services Testing | ✓        |             |         |
| Hospital Claims Policy Testing                     | ✓        |             |         |
| Psychotherapy Claims Testing                       | ✓        |             |         |
| PAVES Quality Assurance Bots                       | ✓        |             |         |

\* FY26 key project



## **C. Annual Internal Audit Quality Assurance Review**

# Background: Internal Audit Professional Standards



## Professional Standards

- ❑ The Institute of Internal Auditors (IIA) International Professional Practices Framework (Red Book)
  - Global Internal Audit Standards
  - Topical Requirements
  - Global Guidance
- ❑ United States Government Accountability Office (GAO) Government Auditing Standards (GAGAS) (Yellow Book)
- ❑ Texas Internal Auditing Act (Texas Government Code, Chapter 2102)

# Results of Quality Assurance and Improvement Program (QAIP)



## IIA Red Book

### Result: **Generally Achieves**

- Rating Defined: The internal audit function is not fully achieving at least one standard but is achieving the principle's intent
- Fully Achieves with 14 out of 15 Principles
- Generally Achieves with 1 out of 15 Principles

## GAGAS Yellow Book

### Result: **Pass**

- Rating Defined: A conclusion that the audit organization's system of quality management has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards in all material respects

## GAGAS System of Quality Management

### Result: **Pass**

- Rating Defined: A conclusion that the audit organization's system of quality management has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards in all material respects

# Recommendation & Management Response



| Standard                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Recommendations                                                                                | Management Response                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Upon reviewing <b>Principle 14: Conduct Engagement Work</b> , we identified one opportunity for improvement. Based on our review of two audits and one advisory project, we noted an opportunity to further standardize workpapers across teams to help ensure that “ <i>an informed, prudent internal auditor, or similarly informed and competent person, could repeat the work and derive the same engagement results,</i> ” as required by <b>Standard 14.6.b.</b> | Provide refresher training on management’s expectations for workpaper documentation standards. | <i>Internal Audit management agrees with the recommendation and will develop and implement a training plan to strengthen staff awareness and consistent application of documentation standards. The training will reinforce expectations for project work papers and support the continued quality, completeness, and transparency of audit documentation.</i><br><i>Target Implementation Date: Dec. 2026</i> |



## **D. Appendix:**

- I. Upcoming Audit Reports
- II. Recommendations Older Than Two Years
- III. Review of Ethics Program
- IV. Review of Fixed Income Portfolio Operations

# Appendix I: Upcoming Audit Reports/Actions



## December 2026

### Board Actions

- None

### Audit Reports

- ACFR Testing of Annuity Payments
- Audit of System Development Lifecycle
- Review of Death Claims
- Update on IA's Data Analytics Program

## April 2027

### Board Actions

- Proposed Revisions to Audit Plan

### Audit Reports

- Audit of Identity and Impersonation Risk
- Review of Quantitative Equity Portfolio Operations
- Review of TRS-ActiveCare Regional Ratings