



# **Internal Audit Revised Audit Plan Fiscal Year 2026**

May 2026

Amanda Jenami, CPA, CISA, AAIA, CIA,  
CIDA, CFSA, CISM, CRMA, CFE, CGAP,  
CCSA



# Revised Audit Plan for Fiscal Year 2026

# Executive Summary



## Professional and Statutory Requirements

This document provides the *Fiscal Year 2026 Audit Plan* (Audit Plan) as required by professional auditing standards, the *Texas Internal Auditing Act* (Act), and *Texas Government Code 2102.008* for the Teacher Retirement System of Texas (TRS). The Act requires state agencies to conduct a program of internal auditing that includes an annual audit plan that is prepared using risk assessment techniques and identifies individual audit projects to be conducted during the year. The Audit Plan is required to be evaluated and updated annually for recommendation of approval by the TRS Audit, Compliance and Ethics Committee of the Board of Trustees (ACE Committee) to the TRS Board of Trustees (Board). Internal Audit is independent of management and provides objective assurance and advisory services designed to add value and improve TRS operations.

## Audit Plan Development and Scope

Our Audit Plan is designed to provide coverage of key risks, given the existing staff and approved budget. See the **Appendices** for information regarding the internal audit budget and audit plan mapped to the TRS Risk Assessment.

## Changes Subsequent to Approval

Interim changes to the Audit Plan will occur from time to time due to changes in business risks, timing of TRS initiatives, and staff availability. We will report Audit Plan changes to executive management and present changes to the ACE Committee at the next quarterly ACE Committee meeting. Amendments to the approved Audit Plan deemed to be significant (based on discussions with the Executive Director and ACE Committee Chair) will be submitted to the ACE Committee for recommendation to the Board for approval. We will also notify the State Auditor's Office of material changes to the Audit Plan.

# 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:*



# Types of Projects to Cover Risk Areas



**Audit**



**Agreed-Upon Procedures**



**Formal Advisory Services**



**Informal Advisory Services**

	<b>Audit</b>	<b>Agreed-Upon Procedures</b>	<b>Formal Advisory Services</b>	<b>Informal Advisory Services</b>
<b>Focus</b>	Assess evidence available to provide assurance on an audit objective	Determine specific steps to test with management's agreement and report on results; used for data analytics and quarterly testing of specific data and transactions	Respond to requests for formal study or assessment with recommendations; no assurance provided	Participate in activities in a non-voting capacity, e.g., provide training and input on policies and procedures
<b>Deliverable</b>	Audit report for public distribution unless protected by statute	Agreed-upon procedures report for public distribution (use is limited to those with understanding of procedures performed)  Report does not provide an opinion or conclusion.	Consulting report or memo for limited distribution; significant material weaknesses identified would be reported to executive management and the Audit Committee as required by professional auditing standards	Verbal discussion or a brief memo to management
<b>Estimated Level of Effort</b>	600 – 1,600 hours	100 – 800 hours	100 – 800 hours	10 – 100 hours

# Audit Plan: Executive & Administrative Services



Title	Type	Preliminary Objective	Timing
Limited Review of Communications	Audit	To assess the effectiveness, efficiency, and compliance of TRS communications, including internal and external communications strategies, media relations, and stakeholder engagement, with applicable policies, procedures, and regulatory requirements.	Q2
Review of the Ethics Program	Audit	To assess the effectiveness, transparency, and alignment of the ethics program with organizational values and regulatory standards, identifying opportunities for improvement in policy clarity, training engagement, reporting mechanisms, and overall ethical culture.	Q3 – Q4
Review of Project Governance	Audit	To review and assess the effectiveness, transparency, and consistency of project governance processes. The review will examine decision-making frameworks, stakeholder engagement, and resource allocation practices, to identify opportunities for improving oversight, accountability, and operational efficiency.	Q2 – Q3
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 Death Claims	Audit	To assess the adequacy and effectiveness of internal controls, processes, and compliance mechanisms related to the administration of death benefits, ensuring that payments are accurate, timely, properly authorized, and made in accordance with applicable laws, regulations, and plan provisions.	Q4
Reporting Employer Data Analysis	Continuous Audit	Analyze Reporting Employer data within TRUST system for completeness, integrity, accuracy, and reasonableness.	Q1 – Q4

# Audit Plan: Health Care



Title	Type	Preliminary Objective	Timing
Review of Enrollment and Eligibility File Processes	Formal Advisory	Review and advise on processes related to accuracy and timeliness of TRS-Care enrollment and eligibility files.	Q1
Review of SB 1264 Processes	Formal Advisory	Review and advise on processes related to claim dispute resolution.	Q1
Healthcare Claims Data Analysis	Continuous Audit	Analyze medical and pharmacy claims processed by TRS plan administrators for compliance with contract requirements.	Q1 – Q4
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

# Audit Plan: Investments & Finance



Title	Type	Preliminary Objective	Timing
Limited Review of Custodian Controls	Audit	Determine whether custodian operations include sufficient controls to ensure investment support functions are executed effectively and in compliance with applicable requirements.	Q1 – Q2
Review of Real Estate Portfolio Operations	Audit	Determine whether Real Estate portfolio operations include sufficient controls to ensure investments are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.	Q3
Review of Fixed Income Portfolio Operations	Audit	Determine whether Fixed Income portfolio operations include sufficient controls to ensure investments are made and managed effectively, efficiently and in compliance with relevant policies, guidelines and procedures.	Q4
Investment Committee attendance, etc.	Informal Advisory	Stay current on portfolio strategy and Investment Management Division initiatives by attending Internal Investment Committee, monthly staff and other meetings.	Q1 – Q4
Financial Services meetings, etc.	Informal Advisory	Stay current on Financial Services activities and strategic initiatives by attending quarterly staff meetings and monthly cross-functional TRICOT 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 Cloud Computing	Audit	To evaluate the effectiveness and efficiency of governance, security, and operational controls over TRS's Microsoft Azure environment.	Q1 – Q2
Audit of Data Loss Prevention	Audit	Evaluate the effectiveness of the organization's data protection and visibility controls designed to identify, monitor, and safeguard sensitive information across environments, and assess whether these controls support compliance with internal policies and external regulatory requirements.	Q2 – Q3
Review of Cyber Controls	Audit	Perform a penetration test of TRS's information technology infrastructure.	Q3
Audit of TRS Reporting Entity (RE) Portal	Audit	To evaluate the system's effectiveness in safeguarding data and maintaining security protocols, while also assessing its usability to ensure it supports user needs through intuitive design, accessibility, and ease of use.	Q3 – 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: 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 PAVES.
Staff Training Initiative	Develop and launch auditor training in key areas including report writing, workpaper documentation, and audit risk assessment.
Fiscal Year 2027 Audit Plan	Prepare annual audit plan based on a documented risk assessment in accordance with professional auditing standards and the Texas Internal Auditing Act.
Audit, Compliance & Ethics Committee Meetings Preparation	Prepare communications and attend Audit, Compliance & Ethics Committee and Board Meetings.

# 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 Study



## **Appendix A:**

# **Data Analytics Projects for FY2026**

# Appendix A: Proposed Audit Plan for FY2026: Data Analytics



Title	Project Type	Preliminary Objective
ACFR Testing of Annuity Payments	External Audit	Perform data analytics in support of pension benefits testing for the SAO ACFR audit.
Anti-Depression Pharmacy Claims Testing	Formal Advisory	Test for effectiveness of controls and potential improper payments for anti-depression drugs.
Benefit Matrices and Experimental Services Testing	Formal Advisory	Perform annual tests of limits, exclusions and adjustments to benefit matrices, including experimental, investigational, and/or unproven services.
Review of Enrollment and Eligibility File Processes	Formal Advisory	Review and advise on processes related to accuracy and timeliness of TRS-Care enrollment and eligibility files.
Hospital Claims Policy Testing	Formal Advisory	Test hospital service claims for compliance with relevant policies.
Psychotherapy Claims Testing	Formal Advisory	Test for effectiveness of controls and potential improper payments in psychotherapy services.
Review of SB 1264 Processes	Formal Advisory	Review and advise on processes related to claim dispute resolution.
PAVES Quality Assurance Bots	Formal Advisory	Partner with Procurement & Contracts team to develop automated reports to identify potential inaccuracies within PAVES.
Reporting Employer Data Analysis	Continuous Audit	Analyze Reporting Employer data within TRUST system for completeness, integrity, accuracy, and reasonableness.



## Appendix B:

# Internal Audit Operating Budget for FY2026

# Appendix B: Internal Audit Operating Budget



Line Item	Budget FY 2026	Budget FY 2025
000 – Salaries	\$2,886,400	\$2,644,187
000 – Benefits	\$739,000	\$743,634
200 – Professional Fees for Internal Audit Services	\$350,000	\$1,204,108
200 – Professional Fees for External Audit Services (ACFR, GASB Schedules, TRICOT)	\$646,000	\$561,292
505 – Travel-In-State	\$6,500	\$21,200
510 – Travel-Out-of-State	\$27,500	\$50,400
705 – Dues, Fees, and Staff Development	\$50,000	\$48,400
710 – Subscriptions and Reference Materials	\$2,500	\$2,500
735-745 Other Operating/ Furniture	\$11,500	\$8,600
Total Operating Budget	\$4,719,400	\$5,284,321
Full Time Equivalent (FTE) Positions (excluding interns)	19.0	19.0

Resources are sufficient to complete the Annual Audit Plan.



## **Appendix C:**

# **Audit Universe Mapped to TRS Risk Assessment**

# Appendix C: Audit Universe Mapped to TRS Risk Assessment



#	TRS Risk Level	TRS Risk Category	TRS Goal	TRS-Assessed Overall Risk	Planned Approach	Project Type
1	Elevated	Cybersecurity	To prevent malicious attacks and unauthorized access of TRS information resources.	Ineffective cyber threat controls could lead to breaches or sabotage of TRS systems.	Penetration Testing; Cloud Computing; Data Loss Prevention; TRS Reporting Entity Portal	Audits
2	Elevated	Enterprise Technology	Provide information systems to meet TRS's business and customer service needs.	Inability to provide adequate and consistent information in a timely fashion via the preferred delivery mechanism.	Audits; EDGC and other committee participation, IT risk assessment.	Audits; Advisory
3	Elevated	Records & Information Management (RIM)	Manage the organization, retention and disposition of TRS information and records with adherence to laws, rules, policies and best practices.	An ineffective records and information management program results in wasted resources; and does not protect, preserve, retain, dispose, or make records accessible in an accountable or transparent manner.	None. RIM was audited in FY2022. Internal Audit to perform follow-up review of RIM around 2027.	N/A
4	Elevated	Pension Funding	Sustain a financially sound pension trust fund.	A lack of sound funding for the plan could lead to insufficient assets to pay for long-term benefits and financial obligations.	Data analytics of employer contributions; Review Actuarial Reports;	Advisory
5	Caution	Procurement & Contracts	Maintain effective procurement and contract management systems. Inappropriate procurement practices could result in purchases of substandard products and services, unfavorable pricing or contract terms, and violation of laws, ineffective contract management could result in contractors not fulfilling their contractual obligations.	Inappropriate procurement practices could result in purchases of substandard products and services, unfavorable pricing or contract terms, and violation of laws, ineffective contract management could result in contractors not fulfilling their contractual obligations.	Follow-up on Review of Contract Oversight (Information Security), issued in April 2025.  PAVES data analysis bots	Audit  Advisory
6	Caution	TRS-ActiveCare Affordability	Facilitate financial soundness of TRS-ActiveCare in order to provide affordable health care benefits.	Inadequate funding by the state and participating entities and/or unanticipated external forces could affect affordability.	Enrollment and eligibility file processes; Healthcare Claims Data Analysis	Advisory
7	Caution	Data Privacy & Confidentiality	Maintain the integrity, availability, and protection in the storage, use, and transfer of TRS information resources (in any form or medium).	Unauthorized or unintentional release/access of TRS confidential information could result in state or federal law violations, sanctions against TRS or its employees, and harm the best interests of TRS.	IT Risk Assessment	Advisory
8	Caution	Health Care Plans Administration	Administer retiree and active member health care programs that are valued by enrollees.	Inadequate administration of the health care programs could possibly affect the quality of health care services provided to those who depend on the delivery of TRS health care benefits which would in turn increase health care costs.	Healthcare Claims Data Analysis, Benefit matrices and experimental services testing; hospital claims policy testing; psychotherapy claims testing; antidepressant pharmacy claims testing.	Advisory

# Appendix C: Audit Universe Mapped to TRS Risk Assessment (Continued, Part 1)



#	TRS Risk Level	TRS Risk Category	TRS Goal	TRS-Assessed Overall Risk	Planned Approach	Project Type
9	Caution	Communications & External Relations	Maintain effective communication and positive relations with members, retirees, employers, TRS employees, news media, and the public.	Poor communication could lead to confusion resulting in increased calls to TRS, poor or inappropriate decision-making regarding TRS benefits, and incorrect information provided to external parties.	Review of Communications	Audit
10	Caution	Business Continuity	Recover and resume operations in the event of a major business interruption.	Members do not receive statutorily required services timely.	Follow-up of Business Continuity and Disaster Recovery Audit	Audit
11	Caution	Facilities Management & Planning	Successfully complete a generational solution for housing all of TRS. Provide a physical work environment that is safe and enhances productivity.	Due to constraints, TRS is unable to execute the long-term facilities plan. Inadequate facilities management or ineffective space utilization could result in less than desirable conditions for TRS members, visitors, and staff and could jeopardize our ability to continue providing an exemplary level of service to our members.	Follow-up Review of Physical Security (Alpha), issued September 2025	Audit
12	Caution	TEAM Program	Implement cost effective, efficient, and sustainable processes and systems that enable TRS to serve its members, employers, and annuitants.	System design, implementation and functionality of the new processes and systems do not meet the growing demands of TRS in service of its members. Program/ project implementation schedule and cost exceeds original estimates.	EDGC and other committee participation.	Advisory
13	Guarded	Talent Continuity	Attract, retain and develop a highly competent staff.	The delivery of member services and pension fund management could be negatively impacted by turnover, the inability to retain qualified staff, lack of a sufficient knowledge transfer program, and an inconsistent performance management process.	Risk assessment/ Risk monitoring	Advisory
14	Guarded	Employer Reporting	Accurately capture and utilize employer reported data to project and calculate future benefits of TRS members and to properly allocate the total pension liability across districts.	Incorrect reporting could lead to calculated benefits being inaccurate; Improperly allocating actuarial liability across districts.	Continuous audits of RE data for completeness, integrity and accuracy; data analysis of surcharges, etc.	Audits; Advisory
15	Guarded	Pension Services	Deliver accurate benefits and superior service to TRS participants and stakeholders.	Inadequate delivery of benefits or customer service could lead to inaccurate information or benefits/payments, dissatisfied participants, loss of credibility, adverse public perception, increased scrutiny, and oversight.	Benefit testing for SAO ACFR audit.	Audit
16	Guarded	Regulatory, Compliance, & Litigation	Adhere to and analyze current laws, rules, and policies (e.g., maintain tax qualification status); Render competent advice on legal risk management and awareness, manage litigation risks, and negotiate contracts to address risks.	Non-compliance with laws and rules could lead to penalties, fines, liability and litigation; impaired ability to conduct business; burdensome oversight; third-party investigations/audits; adverse legislation; increased scrutiny; or loss of tax qualification status.	As much as possible, include compliance as part of scope of individual audit projects.	Audits, Advisory

# Appendix C: Audit Universe Mapped to TRS Risk Assessment (Continued, Part 2)



#	TRS Risk Level	TRS Risk Category	TRS Goal	TRS-Assessed Overall Risk	Planned Approach	Project Type
17	Guarded	Ethics & Fraud Prevention	Maintain a culture that upholds ethical behavior and values that contribute and promote the fiduciary duties of prudence and loyalty and reduces fraud risks.	A lack of ethics could undermine the duties of prudence and loyalty and create fraud risks resulting in loss of assets, credibility, and business opportunities, adverse publicity, violations of law, and increased scrutiny and oversight.	Review of Ethics Program Hotline triage team participation.	Audit Advisory
18	Guarded	Global Operations	Ensure successful operation of TRS business around the world.	Failure to anticipate and/or mitigate risk could negatively impact TRS personnel, assets and business opportunities globally. Should TRS pursue a foreign office, any implementation plan would address the evolving global presence and world events, as well as the resolution of any conflicts between state, U.S. and foreign laws and regulations.	None.	N/A
19	Guarded	Financial Operations	Ensure TRS is fiscally responsible in budgeting, accounting, and financial reporting to successfully carry out TRS' mission, goals, and objectives to serve our members.	Material and/or inaccurate budgeting, accounting, or financial reporting could result in the board of trustees and Texas Legislature decisions being made on unsound data.	Participate in Annual Comprehensive Financial Report (ACFR) Audit Coordinate external auditor activities	Audit Advisory
20	Low	TRS-Care Funding	Facilitate long-term soundness of TRS-Care in order to provide sustainable retiree health care benefits.	Inadequate funding and/or unanticipated external forces would affect solvency of the program over the current biennium and future years, requiring significant premium increases or benefit reductions.	Data analytics of TRS-Care surcharges; Pharmacy claims data analysis.	Advisory
21	Low	Portfolio Exposure	Maintain market risk exposures consistent with investment objectives.	Too little or too much exposure to market risk could each lead to undesirable investment outcomes.	None.	N/A