

# AUDIT OF COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

May 21, 2015

## TRS Internal Audit Department

### Audit Objectives

To determine the following:

- Completeness and accuracy of reports submitted to TRS by reporting entity for October 2014
  - Regular Payroll Report
  - New Member Report
  - Federal Funds/Private Grant Report
  - Federal Fund TRS-Care Report
  - Statutory Minimum Report
  - Non-OASDI (Old Age, Survivor, and Disability Insurance) Report
  - Pension Surcharge for Reported Retirees Report
  - TRS-Care Surcharge for Reported Retirees Report
  - Employment After Retirement (EAR) Area 1 and 2 Reports
- TRS membership eligibility of contract workers performing services for the reporting entity
- Accuracy of census data information (name, date of birth, gender, amount of salary, year of entry, years of service)

### Risks

- Eligible members not included and/or ineligible employees incorrectly included in reports
- Ineligible compensation included in salary reported to TRS
- Incorrect calculations of contributions and surcharges
- Inaccurate actuarial data because census data provided to TRS is not correct

### Tests

- Compare reports submitted to TRS with source documentation of reporting entity to confirm:
  - Eligibility of TRS membership and eligible compensation
  - Accuracy and completeness of contributions and surcharges
  - Accuracy and completeness of Employment After Retirement Area 1 and 2 Reports
- Review contracts and invoices of contract workers to determine if eligible for TRS membership
- Determine accuracy of census data reported to TRS

### Results

Positive Finding: Maintains accurate and readable records on active members and promptly provided us with supporting documentation.

Test Results (Sample size – 30 active members and all 46 retirees):

- Reports –
  - Statutory Minimum contributions: incorrectly excluded one member, incorrectly calculated contributions on two members
  - Non-OASDI contributions: incorrectly calculated on two members
  - Pension Surcharges: incorrectly submitted surcharges on six retirees, incorrectly excluded surcharges on three retirees
  - TRS-Care Surcharges: incorrectly submitted surcharges on four retirees, incorrectly excluded surcharges on five retirees
  - EAR Area 1 and 2 reports not submitted
- No contract workers performing services for the reporting entity were eligible for membership; therefore, they were properly excluded from the Regular Payroll Report
- Census data information reported to TRS for the test month was accurate

### Recommended Actions

- Work with TRS Reporting and Query System (TRAQS) coaches to correct reports and ensure corrections are completed timely
- Implement procedures to consistently track and document amount of hours that retirees work
- Ensure personnel are knowledgeable of TRS Rules and Laws by reading and studying reporting information and self-audit tools provided on TRS website

### Management Responses

College Station ISD agrees with the recommendations to correct reports by November 2015, implement procedures to track retirees' hours worked, and ensure personnel are knowledgeable of TRS Rules and Laws

May 21, 2015

Dr. Clark Ealy  
Superintendent of Schools  
College Station Independent School District  
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## **AUDIT REPORT OF COLLEGE STATION INDEPENDENT SCHOOL DISTRICT**

### **EXECUTIVE SUMMARY**

We have completed the audit of eligibility and contributions, as included in the *Fiscal Year 2015 Audit Plan*. Our audit objectives were to determine:

- Completeness and accuracy of the reports submitted to TRS by the College Station Independent School District (College Station ISD) for the October 2014
- Eligibility of contract workers performing services for the College Station ISD for TRS membership
- Accuracy of census data information (name, date of birth, gender, amount of salary, year of entry, years of service)

Based on our audit results, we noted a positive finding. For active members, College Station Independent School District (College Station ISD) maintains accurate and readable records and was able to promptly provide us with supporting documentation.

We concluded the following:

- Reports –
  - Statutory Minimum contributions: incorrectly omitted one member, incorrectly calculated contributions on two members
  - Non-OASDI (Old Age, Survivor, and Disability Insurance) contributions incorrectly calculated on two members
  - Pension Surcharges: incorrectly included surcharges on six retirees, incorrectly excluded three retirees
  - TRS-Care Surcharges: incorrectly included surcharges on four retirees, improperly excluded surcharges on five retirees
  - Employment After Retirement (EAR) Area 1 and 2 reports were not submitted
- No contract workers performing services for the College Station ISD were eligible for membership; therefore, they were properly excluded from the Regular Payroll Report.
- Census data information reported to TRS was accurate.

# BACKGROUND

## PROJECT BACKGROUND

The Annual Audit Plan approved by the TRS Board of Trustees includes audits of reporting entities<sup>1</sup> in order to confirm member eligibility and accuracy of contributions and fees. The type of information submitted by reporting entities to TRS includes:

- Regular payroll reports of positions, salary/hourly rate, contract dates, position codes
- Contributions
- Surcharges
- Census data
- Lump sum payments

In reaction to new requirements of the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants (AICPA) issued a white paper indicating that reporting entities' census data should be audited. As a result, we have included testing of census data (name, date of birth, gender, amount of salary, year of entry, and years of service) in the scope of this audit. Separately, the State Auditor's Office is performing audits of reporting entities' census data as part of the audit of TRS Comprehensive Annual Financial Statements.

The population of reporting entities from which the sample was selected for testing included all public schools. These were selected based on criteria including the following:

- Frequency of adjustments and corrections to reports
- Complaints about the reporting entity
- Warrant Holds<sup>2</sup>
- Weaknesses in finance area reported by the Legislative Budget Board (LBB), the State Auditor's Office (SAO), or the Texas Education Agency (TEA)
- No audit history of census data by TRS or the SAO within last five years

College Station ISD was chosen for audit using a consistent risk assessment methodology that included the variables listed above.

## REPORTING ENTITY BACKGROUND<sup>3</sup>

College Station Independent School District (College Station ISD) resides in College Station, Texas. According to the Ballotpedia website, College Station ISD is the 96<sup>th</sup> largest school district in Texas with over 10,000 students throughout their 15 campuses. College Station ISD has been a consolidated district since 1941 when the public school was moved from the Texas A&M University campus to facilities on Timber Street.

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<sup>1</sup> A reporting entity is an employer, as defined in Texas Government Code, Title 8, Subtitle C, Chapter 821.001.

<sup>2</sup> Pursuant to Section 403.055 of the Texas Government Code, TRS must request that the Texas Comptroller withhold payments to Reporting Entities where the Reporting Entity has failed to submit reports and/or surcharges and contributions.

<sup>3</sup> Information obtained from internet and/or Reporting Entity website

In 2009 College Station ISD was rated as “academically acceptable” by the Texas Education Agency. According to the College station ISD’s website, their mission is to join with the community in preparing their students for life challenges by providing quality education.

## RESULTS AND RECOMMENDATIONS

### OVERALL RESULTS

#### Positive Findings

Based on our audit results, we noted a positive finding. For active members, College Station ISD maintains accurate and readable records and was able to promptly assist us by providing supporting documentation.

#### Other Findings

We tested:

- Thirty of the population of 1,667 from the TRS Regular Payroll Report for October 2014
- All 46 retirees who performed services in October 2014
- Five employees paid in October 2014 who were not reported to TRS in the Regular Payroll Report

We concluded the following about the completeness and accuracy of the October 2014 reports submitted to TRS:

NAME OF REPORT	COMPLETE?	ACCURATE?
Regular Payroll Report - Member Contributions to Pension Fund - Member Contributions to TRS-Care - Reporting Entity Contributions to TRS-Care	Yes	Yes
Reporting Entity Payment for New Member Report	Yes	Yes
Federal Funds/Private Grant Report	Yes	Yes
Federal Fund TRS-Care Report	Yes	Yes
Statutory Minimum Report	No	No
Reporting Entity Payment for Non-OASDI Members Report	No	No
Reporting Entity Pension Surcharge for Reported Retirees Report	No	No
Reporting Entity TRS-Care Surcharge for Reported Retirees Report	No	No
Reporting Entity Employment After Retirement (EAR) Report	No	No

See the table at **Appendix B** for detail of results of testing.

We tested five contract workers that performed services for the reporting entity and concluded that no contract workers were eligible for TRS membership. Census data information reported to TRS was accurate.

## Recommendation

The College Station ISD Reporting Official should work with the TRS Reporting and Query System (TRAQS) coaches to correct the reports and ensure that corrections are completed by November 30, 2015.

The College Station ISD Reporting Official should implement procedures to consistently track and document the amount of hours that retirees work.

The College Station ISD Reporting Official should ensure that personnel are knowledgeable of TRS Rules and Laws by reading and studying the reporting information and self-audit tools provided on the TRS website.

## Management Responses

We concur with the recommendation made by Internal Audit. The College Station ISD Reporting Official will work with the TRS TRAQS coach to adjust the reports. We plan to have all adjustments complete by November 30, 2015.

Procedures are now in place to identify retirees returning to work and to have them set up on the TRS Reports Employment After Retirement Area 1 and 2 Report correctly. In addition, all retirees will either use Kronos, the time keeping system or if a time clock is not easily accessible, then time sheets will be submitted to the payroll department each pay period. The Reporting Official will review actual hours worked and make corrections as required for the Pension Surcharge and TRS-Care Surcharge reports.

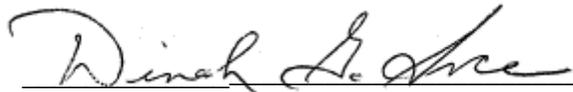
The Director of Business Services and the College Station ISD Reporting Official will provide training and the necessary resources to staff to ensure the accuracy of reports submitted to TRS. The Director of Human Resources in conjunction with the Reporting Official will ensure that retirees have met the required break in service returning to work.

\* \* \* \*

We appreciate College Station ISD management and staff for their cooperation, courtesy, and professionalism extended to us during this audit.



Amy Barrett, CIA, CPA, CISA  
Chief Audit Executive



Dinah G. Arce, CIA, CPA, CFE, CIDA  
Senior Auditor



Art Mata, CEBS, CPM  
Internal Audit Consultant

cc: College Station ISD Board of Trustees

## APPENDIX A

### AUDIT OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSION

We conducted this audit in accordance with generally accepted government auditing standards contained in the *Government Auditing Standards* issued by the Comptroller General of the United States and the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, Inc.

These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

#### AUDIT OBJECTIVE

Our audit objectives were to determine the following:

- Completeness and accuracy of the reports submitted to TRS by the College Station ISD for October 2014
- Eligibility of contract workers performing services for the College Station ISD for TRS membership
- Accuracy of census data information (name, date of birth, gender, amount of salary, year of entry, and years of service)

Specifically, we performed tests to determine whether the following were complete and accurate:

1. Eligible members
2. Member contributions
3. Employer contributions, surcharges, and fees
4. Census data of eligible members

We also tested the accuracy of census data of eligible members.

#### SCOPE

Payroll data was selected from the month of October 2014. We selected:

- Thirty sample items from 1,667 reported to TRS as eligible on the TRS Regular Payroll Report for the test month
- Five sample items that were not reported to TRS as eligible for the test month
- Forty-six retirees on the employer's payroll for the test month
- Five contract workers from the vendor list of IRS Form 1099s issued for the calendar year 2013

With the exception of the superintendent, we did not test whether salary amounts were authorized by the Board of Trustees.

We did not test the eligibility to receive an annuity for retirees who have returned to work.

## METHODOLOGY

We specifically performed the procedures below.

- 1. To determine completeness and accuracy of reporting eligible members:**
  - Compare the position description from the TRS Regular Payroll Report to the position title per the Reporting Entity's payroll register
  - Confirm eligibility through contract agreements, third party agreements, time reports, job descriptions, and compensation information
  - Determine if the payroll register contains employees who have not been reported to TRS but are eligible for membership in TRS
  
- 2. To determine that member contributions are reported and are accurate:**
  - Recalculate member contributions and compare to the TRS Regular Payroll Report
  
- 3. To determine that employer contributions/surcharges are reported and are accurate:**
  - Obtain the report of employer contributions and surcharges remitted to TRS on the regular payroll report.
  - Review detail supporting records for the employer calculations and recalculate employer contributions for the following:
    - New member contributions
    - Federal Funds/Private Grant contributions
    - Employment After Retirement surcharges
    - Statutory Minimum contributions
  - Review list of employees whose salary is paid from federal funds and private grants and percentage allocation of salary and supporting detail for reports
  
- 4. To determine accuracy of census data of eligible members:**
  - Pull supporting documentation for each item in sample to confirm date of birth, hire date/years of service, eligible compensation, gender, and dates or termination/retirement

## CONCLUSION

Based on our audit results, we noted a positive finding. For active members, College Station ISD maintains accurate and readable records and was able to promptly assist us in providing supporting documentation.

We concluded the following:

- Reports –
  - Statutory Minimum contributions: incorrectly omitted one member and incorrectly calculated contributions on two members
  - Non-OASDI contributions incorrectly calculated on two members

- Pension Surcharges: incorrectly included surcharges on six retirees and incorrectly excluded three retirees
- TRS-Care Surcharges: incorrectly included surcharges on four retirees and improperly excluded surcharges on five retirees
- EAR Area 1 and 2 reports were not submitted
- No contract workers performing services for the College Station ISD were eligible for membership; therefore, they were properly excluded from the Regular Payroll Report
- Census data information reported to TRS was accurate

## APPENDIX B

### COLLEGE STATION ISD DETAIL OF ADJUSTMENTS TO REPORTS

Population and sampling:

- Tested 30 out of 1,667 total members reported in the October 2014 TRS Regular Payroll Report
- Tested 5 employees not reported to TRS in the October 2014 Regular Payroll Report
- Tested all 46 retirees on payroll for the month of October 2014
- Tested 5 out of 117 contract workers paid in October 2014 for performing services for College Station ISD

ERROR #	REGULAR PAYROLL REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
	No exceptions					
		\$ 370,219.96	\$ -	\$ -	\$ 370,219.96	0.00%
ERROR #	NEW MEMBER REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
	No exceptions					
		\$ 14,165.99	\$ -	\$ -	\$ 14,165.99	0.00%
ERROR #	FEDERAL FUNDS/PRIVATE GRANT REIMBURSEMENT TO STATE REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
	No exceptions					
		\$ 35,238.40	\$ -	\$ -	\$ 35,238.40	0.00%

<b>ERROR #</b>	<b>FEDERAL FUNDS REIMBURSEMENT TO TRS-CARE</b>	<b>REPORT TOTAL</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED REPORT TOTAL</b>	<b>% ERROR</b>
	No exceptions					
		\$ 4,397.93	\$ -	\$ -	\$ 4,397.93	0.00%
<b>ERROR #</b>	<b>STATUTORY MINIMUM REPORT</b>	<b>REPORT TOTAL</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED REPORT TOTAL</b>	<b>% ERROR</b>
1	Did not report and pay contribution on 1 member		\$ 64.74			
2	Underpaid contribution for 1 member		\$ 4.64			
3	Overpaid contribution on 1 member			\$ 127.67		
		\$ 57,606.17	\$ 69.38	\$ 127.67	\$ 57,547.88	-0.10%
<b>ERROR #</b>	<b>NON-OASDI REPORT</b>	<b>REPORT TOTAL</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED REPORT TOTAL</b>	<b>% ERROR</b>
1	Overpaid contribution on 2 members			\$ 15.30		
2	Underpaid contribution on 1 member		\$ 28.16			
		\$ 69,095.23	\$ 28.16	\$ 15.30	\$ 69,108.09	0.02%
<b>ERROR #</b>	<b>PENSION SURCHARGE FOR RETIREES REPORT</b>	<b>TOTAL REPORTED</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED REPORT TOTAL</b>	<b>% ERROR</b>
1	Improperly included and paid surcharges for 6 retirees with retirement dates prior to 9/1/2005.			\$ 3,243.92		
2	Improperly excluded and did not pay surcharges on 3 retirees with retirement dates after 9/1/2005.		\$ 1,322.41			
		\$ 7,155.91	\$ 1,322.41	\$ 3,243.92	\$ 5,234.40	-26.85%

<b>ERROR</b>		<b>REPORT</b>	<b>UNDER</b>	<b>OVER</b>	<b>REVISED</b>	
<b>#</b>	<b>TRS-CARE SURCHARGE FOR RETIREES REPORT</b>	<b>TOTAL</b>	<b>STATED</b>	<b>STATED</b>	<b>REPORT TOTAL</b>	<b>% ERROR</b>
1	Improperly reported and paid surcharges on 4 retirees with retirement date prior to 9/1/2005.			\$ 2,457.00		
2	Improperly excluded and did not pay surcharges on 5 retirees with retirement date after 9/1/2005.		\$ 3,029.00			
		\$ 2,457.00	\$ 3,029.00	\$ 2,457.00	\$ 3,029.00	23.28%
<b>ERROR EMPLOYMENT AFTER RETIREMENT AREA 1 AND 2</b>		<b>REPORT</b>	<b>UNDER</b>	<b>OVER</b>	<b>REVISED</b>	
<b>#</b>	<b>REPORT</b>	<b>TOTAL</b>	<b>STATED</b>	<b>STATED</b>	<b>REPORT TOTAL</b>	<b>% ERROR</b>
1	No report submitted					
		Not applicable				
<b>GRAND TOTALS</b>		\$ 560,336.59	\$ 4,448.95	\$ 5,843.89	\$ 558,941.65	-0.25%