



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Pension Schedules and OPEB Schedules Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Teacher Retirement System Board of Trustees:

Mr. Jarvis V. Hollingsworth, Chairman
Ms. Dolores Ramirez, Vice Chair
Mr. Joe Colonna
Mr. David Corpus
Mr. John Elliott
Dr. Greg Gibson
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Mr. James Dick Nance
Ms. Nanette Sissney

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Employer's Proportionate Shares (Allocations) of the Teacher Retirement System's (System) Pension Plan as of and for the year ended August 31, 2018, and the related notes. We have also audited the total for all entities of the columns titled net pension liability end of year, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the Schedule of Pension Amounts by Employer of the System Pension Plan, as of and for the year ended August 31, 2018, and the related notes, and have issued our report thereon dated June 5, 2019 (Pension Schedules).

Additionally, we have audited the Schedule of Employer's Proportionate Shares (Allocations) of the Collective Net Other Post Employment Benefits (OPEB) Liability of the System as of and for the year ended August 31, 2018, and the related notes. We have also audited the total for all entities of the columns titled net OPEB liability end of year, total deferred outflows of resources, total deferred inflows of resources, and total OPEB expense (specified column totals) included in the Schedule of Other Post Employment Benefits (OPEB) Amounts by Employer of the System, as of and for the year ended August 31, 2018, and the related notes, and have issued our report thereon dated June 5, 2019 (OPEB Schedules).

Internal Control Over Financial Reporting

In planning and performing our audit of the schedules, we considered the System's internal control relevant to the System's preparation and fair presentation of the schedules (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the schedules, but not for the purpose of expressing

an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Auditors communicated an issue that was not material or significant to the audit objectives in writing to the System's management.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting of the schedules and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control relevant to the System's preparation and fair presentation of the schedules or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Lisa R. Collier, CPA, CFE, CIDA
First Assistant State Auditor

June 5, 2019