

AUDIT OF LIBERTY HILL INDEPENDENT SCHOOL DISTRICT

February 5, 2016

TRS Internal Audit Department

Audit Objectives	<p>To determine the following:</p> <ul style="list-style-type: none">• Completeness and accuracy of reports submitted to TRS by the Reporting Entity (RE) for the test month• 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	<ul style="list-style-type: none">• Eligible members not included and/or ineligible employees are 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	<ul style="list-style-type: none">• Compare reports submitted to TRS with source documentation of Reporting Entity to confirm:<ul style="list-style-type: none">○ Eligibility of TRS membership and eligible compensation○ Accuracy and completeness of contributions and surcharges○ Accuracy and completeness of Employment After Retirement (EAR) Area 1 and 2 Reports• Review contracts/invoices of contract workers to determine if eligible for TRS membership• Determine accuracy of census data reported to TRS
Results	<ul style="list-style-type: none">• Positive Finding:<ul style="list-style-type: none">○ School officials were prompt in responding to questions and providing supporting documentation○ Personnel files were well organized• Test Results (Tested 30 of the 429 members reported to TRS, four of the seven independent contract workers, all six retirees): Member Contributions<ul style="list-style-type: none">○ No exceptionsEmployer Contributions and Surcharges<ul style="list-style-type: none">○ Incorrectly calculated and underpaid Statutory Minimum Contribution and Non-OASDI contribution on two members○ Incorrectly calculated and overpaid Statutory Minimum Contribution and Non-OASDI contribution on two members○ Improperly excluded one retiree from the EAR Area 1 Report○ Improperly included and paid surcharge on one retireeOther Results<ul style="list-style-type: none">○ A contract for one independent contract worker was referred to TRS Legal Services for determination of TRS eligibility○ Census data information reported to TRS was complete and accurate○ Record of time worked by retirees is not consistently maintained○ All report totals per TRAQS reports submitted to TRS agreed with the RE supporting documentation with the exception of the EAR Area 1 and 2 and the TRS-Care Surcharge Reports
Recommended Actions	<p>We recommend that the Reporting Official:</p> <ul style="list-style-type: none">• Work with TRAQS coaches to correct reports by March 31, 2016• Ensure personnel are knowledgeable of TRS Rules and Laws• Maintain sufficient and accurate records of time worked for all substitutes and retirees
Management Responses	<p>Liberty Hill ISD officials concur with the recommendations made by Internal Audit and will:</p> <ul style="list-style-type: none">• Work with the TRS TRAQS coach to adjust the reports by March 2016• Provide training and the necessary resources to staff to ensure the accuracy of reports submitted to TRS• Will develop and implement a process to ensure the accuracy of time worked for substitutes and retirees

February 5, 2016

Dr. Robert Hart
Superintendent of Schools
Liberty Hill Independent School District
301 Forrest Street
Liberty Hill, TX 78642

AUDIT REPORT OF LIBERTY HILL INDEPENDENT SCHOOL DISTRICT

EXECUTIVE SUMMARY

We have completed the audit of eligibility and contributions, as included in the *Fiscal Year 2016 Audit Plan*. Our audit objectives were to determine the following¹:

- Completeness and accuracy of the reports submitted to TRS by the Reporting Entity² for the test month
- Eligibility of contract workers performing services for the Reporting Entity for TRS membership
- Accuracy of census data information (name, date of birth, gender, amount of salary, year of entry, years of service)

During the audit, we observed the following:

- School officials were prompt in responding to questions and providing supporting documentation
- Personnel files were well organized

Based on our audit results, some reports were incomplete and inaccurate, one contract for an independent contract worker was referred to TRS Legal for determination for TRS eligibility, and census data was accurate.

Refer to Appendix B for detailed results of testing.

¹ Assuming the completeness and accuracy of the official records maintained by the RE

² A Reporting Entity (RE) is an employer, as defined in Texas Government Code, Title 8, Subtitle C, Chapter 821.001.

BACKGROUND

PROJECT BACKGROUND

The Annual Audit Plan approved by the TRS Board of Trustees includes audits of reporting entities 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 response 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 Texas 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 Texas 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
- 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

The Liberty Hill ISD was chosen for audit using a consistent risk assessment methodology that included the variables listed above.

REPORTING ENTITY BACKGROUND³

Liberty Hill is a rural community in the Texas Hill Country, 30 miles northwest of Austin. The 100 square miles of the school district is located entirely within western Williamson County, one of the fastest growing counties in the state as well as the nation. Administration, faculty, and staff are committed to excellence in all programs to improve student outcomes and enhance the school experience for all students. The mission of the Liberty Hill ISD is to develop successful, contributing, responsible citizens.

³ Information obtained from the ISD website and other internet sources.

RESULTS AND RECOMMENDATIONS

OVERALL RESULTS

Positive Findings

During the audit, we observed the following:

- School officials were prompt in responding to questions and providing supporting documentation
- Personnel files were well organized

Other Findings

We tested:

- Thirty of the population of 429 members reported to TRS in the Regular Payroll Report for the test month
- All six of the retirees who performed services in the test month

With the exception of the superintendent's salary, we did not test whether salary amounts included in the reporting entity's payroll register were complete, accurate, and authorized.

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

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

NAME OF REPORT	COMPLETE?	ACCURATE?
Regular Payroll Report <ul style="list-style-type: none">- 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 Fund/Private Grant Report	Yes	Yes
Federal Fund TRS-Care Report	Yes	Yes
Statutory Minimum Report	Yes	No
Reporting Entity Payment for Non-OASDI Members Report	Yes	No
Reporting Entity Employment After Retirement (EAR) Area 1 and 2 Report	No	No
Reporting Entity Pension Surcharge for Reported Retirees Report	No	No
Reporting Entity TRS-Care Surcharge for Reported Retirees Report	Yes	Yes

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

RECOMMENDATION

The Reporting Official should work with the TRS Reporting and Query System (TRAQs) coaches to correct the reports and ensure that corrections are completed by March 2016.

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

Sufficient and accurate records should be maintained for time worked for all substitutes and retirees.

MANAGEMENT RESPONSES

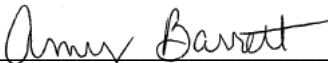
We concur with the recommendations made by Internal Audit. We will work with the TRS TRAQs coach to adjust the reports. We plan to have the adjustments complete by March 6, 2016.

We will provide training and the necessary resources to staff to ensure the accuracy of reports submitted to TRS.

We will develop and implement a process to ensure the accuracy of time worked for substitutes and retirees.

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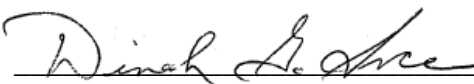
We appreciate Liberty Hill ISD management and staff for their cooperation, courtesy, and professionalism extended to us during this audit.




Amy Barrett, CIA, CPA, CISA
Chief Audit Executive



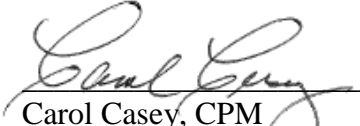
Jan Engler, CIA, CISA, CFE
Director of Benefit Audits



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



Art Mata, CEBS, CPM
Senior Internal Audit Consultant



Carol Casey, CPM
Internal Audit Consultant

cc: Liberty Hill 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 following⁴:

- Completeness and accuracy of the reports submitted to TRS by the Reporting Entity for the test month
- Eligibility of contract workers performing services for the Reporting Entity for the test month for TRS membership
- Accuracy of census data information (name, date of birth, gender, amount of salary, year of entry, years of service)

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

- Eligible members
- Member contributions
- Employer contributions and surcharges
- Census data of eligible members

SCOPE

Payroll data was selected from the month of August 2015. We selected:

- Thirty sample items from TRS Regular Payroll Report for the test month
- All six retirees on the payroll
- Four contract workers paid for the test month for services performed

With the exception of the superintendent's salary, we did not test whether salary amounts included in the reporting entity's payroll register were complete, accurate, and authorized.

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

⁴ Assuming the completeness and accuracy of the official records maintained by the RE.

METHODOLOGY

We specifically performed the procedures below.

1. To determine completeness and accuracy of reporting eligible members:

- Compare the Regular Payroll Report and detail records submitted to TRS with position title on the Reporting Entity's payroll register
- Confirm eligibility through contract agreements, personnel files, 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 reports 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 Fund/Private Grant contributions
 - Employment After Retirement surcharges
 - Statutory Minimum contributions
 - Non-OASDI contributions

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 of termination/retirement

CONCLUSION

See the table at **Appendix B** for detailed testing results.

APPENDIX B
LIBERTY HILL ISD
DETAIL OF ADJUSTMENTS TO REPORTS

POPULATION, SAMPLE, TESTING:

- Test month: August 2015

SECTION 1 - ELIGIBILITY TESTING AND EMPLOYER CONTRIBUTIONS (See details below)

- Tested 30 of 429 total members reported in the TRS Regular Payroll Report for the test month to determine eligibility and completeness and accuracy of member and Reporting Entity (RE) contributions.
- Tested four of the seven independent contract workers during the test month to determine TRS eligibility.

SECTION 2 - EMPLOYMENT AFTER RETIREMENT (See details below)

- Tested all six of the retirees that worked in the test month in a position other than a substitute to determine if worked more than the 84 hour limit for the test month.
- Tested the time worked for all six retirees that worked in the test month.

SECTION 3 - OTHER TESTS AND RESULTS

- Tested census data information on all 30 sample items.

Test Results - Census data information for the 30 sample items was correct.

- Tested all TRAQS Reports submitted to TRS and verified totals reported to the RE detailed supporting documentation.

Test Results - All report totals per TRAQS reports submitted to TRS agreed with the RE supporting documentation; however, as mentioned below, the Reporting Entity did not provide detail backup for the Area 1 and 2 and the TRS-Care Surcharge Reports.

SECTION 1 - ELIGIBILITY TESTING**REGULAR PAYROLL REPORT - ELIGIBILITY TESTING**

Includes the following contributions: member contributions to pension fund, member contributions to TRS-Care, Reporting Entity contributions to TRS-Care

	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
Member Contributions to Pension Fund					
no exceptions					
TOTAL	\$ 97,187.27	\$ -	\$ -	\$ 97,187.27	0%
Member Contributions to TRS-Care					
no exceptions					
TOTAL	\$ 9,428.55	\$ -	\$ -	\$ 9,428.55	0%
RE Contributions to TRS-Care					
no exceptions					
TOTAL	\$ 7,978.02	\$ -	\$ -	\$ 7,978.02	0%

Referred one contract of an independent contract worker to TRS Legal Services for review and determination for TRS eligibility

	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
NEW MEMBER REPORT					
no exceptions					
TOTAL	\$ 372.83	\$ -	\$ -	\$ 372.83	0%

	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
FEDERAL FUNDS REIMBURSEMENT TO PENSION FUND					
no exceptions					
TOTAL	\$ 1,598.03	\$ -	\$ -	\$ 1,598.03	0%

	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
FEDERAL FUNDS REIMBURSEMENT TO TRS-CARE					
no exceptions					
TOTAL	\$ 235.00	\$ -	\$ -	\$ 235.00	0%

STATUTORY MINIMUM REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
Improperly calculated and underpaid on two members		\$ 33.48			
Improperly calculated and overpaid on two members			\$ 18.84		
TOTAL	\$ 14,720.41	\$ 33.48	\$ 18.84	\$ 14,735.05	0.10%

NON-OASDI REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
Improperly calculated and underpaid on two members		\$ 4.15			
Improperly calculated and overpaid on two members			\$ 7.39		
TOTAL	\$ 18,415.24	\$ 4.15	\$ 7.39	\$ 18,412.00	-0.02%

SECTION 2 - EMPLOYMENT AFTER RETIREMENT

EMPLOYMENT AFTER RETIREMENT AREA 1 AND 2 REPORT	REPORT TOTAL			REVISED REPORT TOTAL	% ERROR
Improperly excluded one retiree from Area 1 Report					
Record of time worked by retirees is not consistently maintained					

PENSION SURCHARGE FOR RETIREES REPORT	TOTAL REPORTED	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
Improperly included and paid surcharge on one retiree			\$ 217.95		
TOTAL	\$ 217.95	\$ -	\$ 217.95	\$ -	-100%

TRS-CARE SURCHARGE FOR RETIREES REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
No exceptions					
TOTAL	\$ -	\$ -	\$ -	\$ -	0.00%

GRAND TOTALS	\$ 150,153.30	\$ 37.63	\$ 244.18	\$ 149,946.75	-0.1%
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