

AUDIT OF MANOR INDEPENDENT SCHOOL DISTRICT

January 15, 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 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"> ○ Manor ISD officials were prompt in responding to questions and providing supporting documentation ○ Personnel files were well organized • Test Results (Tested 30 of the 1,197 members reported to TRS, five of the 122 employees not reported to TRS, four of the seven independent contract workers, all 27 retirees): <ul style="list-style-type: none"> Member Contributions <ul style="list-style-type: none"> ○ One \$200 car allowance improperly included and \$211.70 benefit pay improperly included ○ One \$1,250 bilingual education stipend improperly excluded ○ Unable to determine whether four employees not reported to TRS are eligible for TRS membership because supporting documentation for hours worked is not maintained ○ Four independent contract workers tested who performed services for the RE from the list provided were properly excluded from the Regular Payroll Report Employer Contributions and Surcharges <ul style="list-style-type: none"> ○ See related issues above ○ Incorrectly calculated contributions for two members for federal fund pension and TRS-Care reimbursement contributions ○ Statutory Minimum and Non-OASDI Reports used the incorrect Years of Experience Credit (Salary Step) table resulting in inaccurate contributions ○ Retirees incorrectly classified as substitutes but working in permanently open positions ○ Incorrectly excluded and did not pay surcharges for nine retirees working more than half-time Other Results <ul style="list-style-type: none"> ○ Inaccurate census data information on the two employees whose compensation was incorrectly reported ○ Report totals for federal fund pension and TRS-Care reimbursement contributions per the TRAQS reports did not agree with the RE supporting documentation. Although the totals per the TRAQS EAR pension surcharge, TRS-Care surcharge, and the Area 1 and 2 Reports agreed to the RE supporting documentation, the reports themselves were inaccurate and incomplete ○ Supporting documentation for the time worked by retirees is not consistently maintained ○ Retirees on Area 1 and 2 Reports not properly classified ○ Inaccurate and incomplete Area 1 and 2 Reports ○ The Chief Financial Officer informed us that there are inaccuracies in Manor ISD's official records and these inaccuracies are being tested by other auditors. Additionally, we were informed that there were inaccurate salaries on four other employees
Recommended Actions	<p>We recommend that the Manor ISD officials:</p> <ul style="list-style-type: none"> • Work with TRAQS coaches to correct reports by March 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>Manor ISD officials concur with the recommendations and will work to adjust the reports by March 2016. Finance and Human Resource staff recently attended training with their TRS TRAQS coach and are imparting this knowledge to all staff. Manor ISD officials are also working to refine a process that when fully implemented will ensure the accuracy of time worked for substitutes and retirees.</p>

January 15, 2016

Mr. Roy Knight
Acting Superintendent of Schools
Manor Independent School District
P.O. Box 359
Manor, TX 78653

AUDIT REPORT OF MANOR 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:

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

Based on our audit results:

- All but one report were incomplete and inaccurate and for that one report we were unable to determine the completeness and accuracy
- Of the list of contract workers provided to TRS, 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 was inaccurate for two employees' salaries in our sample. Additionally, management disclosed inaccurate salaries for four other employees
- We were unable to conclude if four employees not reported to TRS were eligible for TRS membership because supporting documentation for work as a substitute was not maintained

¹ Assuming the completeness and accuracy of the official records maintained by the Reporting Entity

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

- All amounts of contributions made to TRS per the TRAQS reports agreed with the Reporting Entity detailed supporting documentation, with the exception of the Federal Fund Reports for TRS pension fund reimbursement and TRS-Care reimbursement. Also, the amount reported for surcharges was incomplete
- Time records are not maintained for employed retirees

Refer to Appendix B for detailed results of testing.

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

REPORTING ENTITY BACKGROUND³

Originally established in the late 1880's, the Manor community was a hub for the Central Texas cotton industry and has grown to be a hub for the high-tech industry, with Samsung and Applied Materials within its boundaries and Dell and Freescale Semiconductors in close proximity.

Manor Independent School District (MISD) is a rapidly growing, diverse district that encompasses approximately 100 square miles and includes addresses in Austin, Manor, and Elgin, Texas. It serves over 8,600 students at two high schools, two middle schools, eight elementary schools, and one alternative academy.

The MISD is made up of a unique blend of rural and urban features with its diverse population. Its primary focus offers exciting opportunities and demonstrates what is possible when educating 21st century students.

This fall, the MISD opened a new workforce training center — the first of its kind in Central Texas — for students to earn college credit and a job certificate. In partnership with Austin Community College, Manor High School juniors and seniors can earn certifications to work as nursing assistants, medical assistants and computer technicians. Certification programs are also offered in heating and air conditioning, electrical pre-apprenticeship and mechatronics. In most of those programs, students will also earn college credit.

MISD's mission statement is to provide College and Career Readiness programs and professional, career-oriented higher education to students from diverse backgrounds. MISD proudly offers access and opportunity to motivated students who desire to enrich their lives in a personalized and supportive environment. MISD provides caring and effective teaching and engaged staff who are passionate, knowledgeable, and dedicated to student achievement. They build on these strengths to prepare students for successful careers, advanced education, and lifelong learning.

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:

- Manor ISD 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 1,197 members reported to TRS in the Regular Payroll Report for the test month of May 2015
- Four retirees who performed services in May 2015
- Five employees paid in the test month who were not reported to TRS in the Regular Payroll Report
- 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.

We concluded the following about the completeness and accuracy of the 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	No	No
Reporting Entity Payment for New Member Report	Unable to Determine	Unable to Determine
Federal Fund/Private Grant Report	No	No
Federal Fund TRS-Care Report	No	No
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 detailed results of testing.

During our audit, the Chief Financial Officer informed us that there are some inaccuracies in Manor ISD’s official records and these inaccuracies are being tested by other auditors. As a result of this information, we concluded that reports submitted to TRS are either incomplete or inaccurate or we are unable to conclude on the completeness or accuracy of the reports.

RECOMMENDATION

The Manor ISD officials 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 Manor ISD officials 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

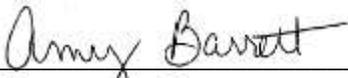
We concur with the recommendations made by Internal Audit. We will work with the TRS TRAQs coach to adjust the reports. We are working diligently and plan to have the adjustments complete by March 2016.

Finance and Human Resources staff recently attended a one-one-one training session with our TRS TRAQs coach and was provided valuable information. We are imparting this knowledge to all staff and will collaboratively ensure the accuracy of reports submitted to TRS.

We are working to refine a process that when fully implemented will ensure the accuracy of time worked for substitutes and retirees.

* * * * *

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



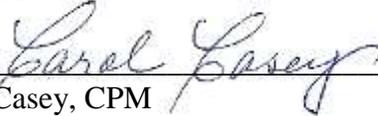
Amy Barrett, CIA, CPA, CISA
Chief Audit Executive



Art Mata, CEBS, CPM
Senior Internal Audit Consultant



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



Carol Casey, CPM
Internal Audit Consultant

cc: Manor ISD Board of Trustees
Mr. Kevin Brackmeyer, Superintendent

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 May 2015. We selected:

- Thirty sample items from TRS Regular Payroll Report for the test month
- Four retirees on the payroll
- Five sample items from the Reporting Entity payroll register for employees that were not reported to TRS
- 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 Grants 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

During the audit, we observed the following:

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

Based on our audit results:

- All but one report were incomplete and inaccurate and for that one report we were unable to determine the completeness and accuracy
- Of the list of contract workers provided to TRS, 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 was inaccurate for two employees' salaries in our sample. Additionally, management disclosed inaccurate salaries of four other employees
- We were unable to conclude if four employees not reported to TRS were eligible for TRS membership because supporting documentation for work as a substitute was not maintained
- All amounts of contributions made to TRS per the TRAQS reports agreed with the Reporting Entity detailed supporting documentation, with the exception of the Federal Fund Reports for TRS pension fund reimbursement and TRS-Care reimbursement Also, the amount reported for surcharges was incomplete
- Time records are not maintained for employed retirees

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

APPENDIX B

MANOR ISD DETAIL OF ADJUSTMENTS TO REPORTS

Population, sampling and overview of test results:

Test month: May 2015

SECTION 1 - MEMBER AND REPORTING ENTITY CONTRIBUTIONS

Tested 30 of 1,197 total members reported in the TRS Regular Payroll Report for the test month

Test results:

1. All but one report were incomplete and inaccurate and we were unable to determine the completeness and accuracy of the New Member Report. The Chief Financial Officer informed us that there are some inaccuracies in Manor ISD's official records and these inaccuracies are being tested by other auditors. As a result, TRS concluded that reports submitted to TRS are either incomplete or inaccurate or we are unable to conclude.
2. Ineligible compensation was incorrectly included on two employees.
3. Eligible compensation incorrectly excluded on one employee.
4. Statutory Minimum and Non-OASDI Reports were inaccurate because the incorrect Years of Experience Credit (Salary Step) table was used.

Tested five of the 122 employees not reported to TRS in the Regular Payroll Report for the test month

Test results:

1. Unable to conclude if four of the five employees not reported to TRS were TRS eligible because supporting documentation for hours worked is not maintained.

Tested four of the seven independent contract workers during the test month to determine TRS eligibility

Test results: No exceptions

SECTION 2 - EMPLOYMENT AFTER RETIREMENT SURCHARGES

Tested four of the 27 retirees that worked in the test month in a position other than a substitute to confirm if worked less than the 84 hour limit for May 2015.

Test results:

1. All four retirees tested did not exceed the 84 hour limit for May 2015.

Tested all 9 retirees (retired after 9/1/05) that worked in excess of 84 hours in test month in a position other than a substitute to determine if surcharges were owed

1. Nine retirees worked more than half-time and surcharges were not paid for these employees.

SECTION 3 - EMPLOYMENT AFTER RETIREMENT AREA 1 AND 2 REPORTS

Tested all 27 retirees that worked in the test month to determine if correctly included in the Employment After Retirement Area 1 and 2 Reports

Test results:

1. 15 of the 27 retirees that worked in the test month were incorrectly excluded from the Area 1 and 2 Reports.
2. Two retirees were incorrectly included in the Area 2 Report rather than the Area 1 Report.
3. Incorrect position classifications were used in reporting.
4. Retirees incorrectly classified as substitute are working in permanently open positions.

OTHER RESULTS

Tested all TRS TRAQS report totals to the RE supporting documentation

Test results:

1. The report totals per the TRAQS reports submitted to TRS for the federal fund TRS pension fund and TRS-Care reimbursement did not agree with the RE supporting documentation. Although the EAR pension surcharges, TRS-Care surcharges and the Area 1 and 2 Reports did agree with the RE supporting documentation, the reports were inaccurate and incomplete.
2. Records of time worked by retirees is not maintained.
3. Census data information was incorrect for two member's salaries.
4. Management disclosed inaccurate salaries of four other employees outside of our sample.

SECTION 1

ERROR #	REGULAR PAYROLL REPORT - ELIGIBILITY TESTING	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
	Includes the following contributions: - member contributions to pension fund - member contributions to TRS-Care - Reporting Entity contributions to TRS-Care					
Member Contributions to Pension Fund						
1	Incorrectly excluded and did not pay contributions on eligible extra pay of \$1,250 for one member		\$ 83.75			
2	Incorrectly included ineligible compensation of \$200.00 on one member and \$211.70 on another member			\$ 27.58		
	TOTAL	\$ 301,624.89	\$ 83.75	\$ 27.58	\$ 301,681.06	0%
Member Contributions to TRS-Care						
1	Incorrectly excluded and did not pay contributions on eligible extra pay of \$1,250 for one member		\$ 8.13			
2	Incorrectly included ineligible compensation of \$200.00 on one member and \$211.70 on another member			\$ 2.68		
	TOTAL	\$ 29,262.09	\$ 8.13	\$ 2.68	\$ 29,267.54	0%
RE Contributions to TRS-Care						
1	Incorrectly excluded and did not pay contributions on eligible extra pay of \$1,250 for one member		\$ 6.88			
2	Incorrectly included ineligible compensation of \$200.00 on one member and \$211.70 on another member			\$ 2.26		
	TOTAL	\$ 24,760.23	\$ 6.88	\$ 2.26	\$ 24,764.85	0%

ERROR #	NEW MEMBER REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REPORT TOTAL	% ERROR
1	Unable to determine the completeness and accuracy					
TOTAL		\$ 2,850.38	\$ -	\$ -	\$ 2,850.38	0%

ERROR #	FEDERAL FUND/PRIVATE GRANT REIMBURSEMENT TO STATE REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REPORT TOTAL	% ERROR
1	Incorrectly calculated and underpaid on two members		\$ 10.15			
TOTAL		\$ 15,048.34	\$ 10.15	\$ -	\$ 15,058.49	0%

ERROR #	FEDERAL FUND REIMBURSEMENT TO TRS-CARE	REPORT TOTAL	UNDER STATED	OVER STATED	REPORT TOTAL	% ERROR
1	Incorrectly calculated and underpaid on two members		\$ 45.69			
TOTAL		\$ 3,604.67	\$ 45.69	\$ -	\$ 3,650.36	1%

ERROR #	STATUTORY MINIMUM REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REPORT TOTAL	% ERROR
1	Incorrectly excluded and did not pay contributions on one member		\$ 58.05			
2	Incorrectly overpaid contributions on one member			\$ 12.72		
3	Incorrectly calculated and underpaid contributions on one member		\$ 48.24			
4	Incorrectly calculated and overpaid on 17 members			\$ 635.86		
TOTAL		\$ 77,441.52	\$ 106.29	\$ 648.58	\$ 76,899.23	-1%

ERROR #	NON-OASDI REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REPORT TOTAL	% ERROR
1	Incorrectly calculated and underpaid on 18 members		\$ 150.88			
2	Incorrectly calculated and overpaid on three members			\$ 25.90		
TOTAL		\$ 49,064.96	\$ 150.88	\$ 25.90	\$ 49,189.94	0%

SECTION 2

ERROR #	PENSION SURCHARGE FOR RETIREES REPORT	TOTAL REPORTED	UNDER STATED	OVER STATED	REPORT TOTAL	% ERROR
1	Incorrectly excluded and did not pay contributions on nine members		\$ 7,328.70			
TOTAL		\$ -	\$ 7,328.70	\$ -	\$ 7,328.70	100%

ERROR #	TRS-CARE SURCHARGE FOR RETIREES REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REPORT TOTAL	% ERROR
1	Incorrectly excluded and did not pay contributions on two members		\$ 1,938.00			
TOTAL		\$ -	\$ 1,938.00	\$ -	\$ 1,938.00	100%

SECTION 3

ERROR #	EMPLOYMENT AFTER RETIREMENT AREA 1 AND 2 REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REPORT TOTAL	% ERROR
1	Incorrectly excluded 13 retirees from Area 1 (this includes two retirees reported in Area 2 rather than Area 1 as noted in #2 below)					
2	Incorrectly included two retirees on Area 2 rather than the Area 1 Report.					
3	Incorrectly excluded four retirees from Area 2					
4	MISD did not properly classify the retirees using proper position codes					
GRAND TOTALS		\$ 503,657.08	\$ 9,678.47	\$ 707.00	\$ 512,628.55	2%