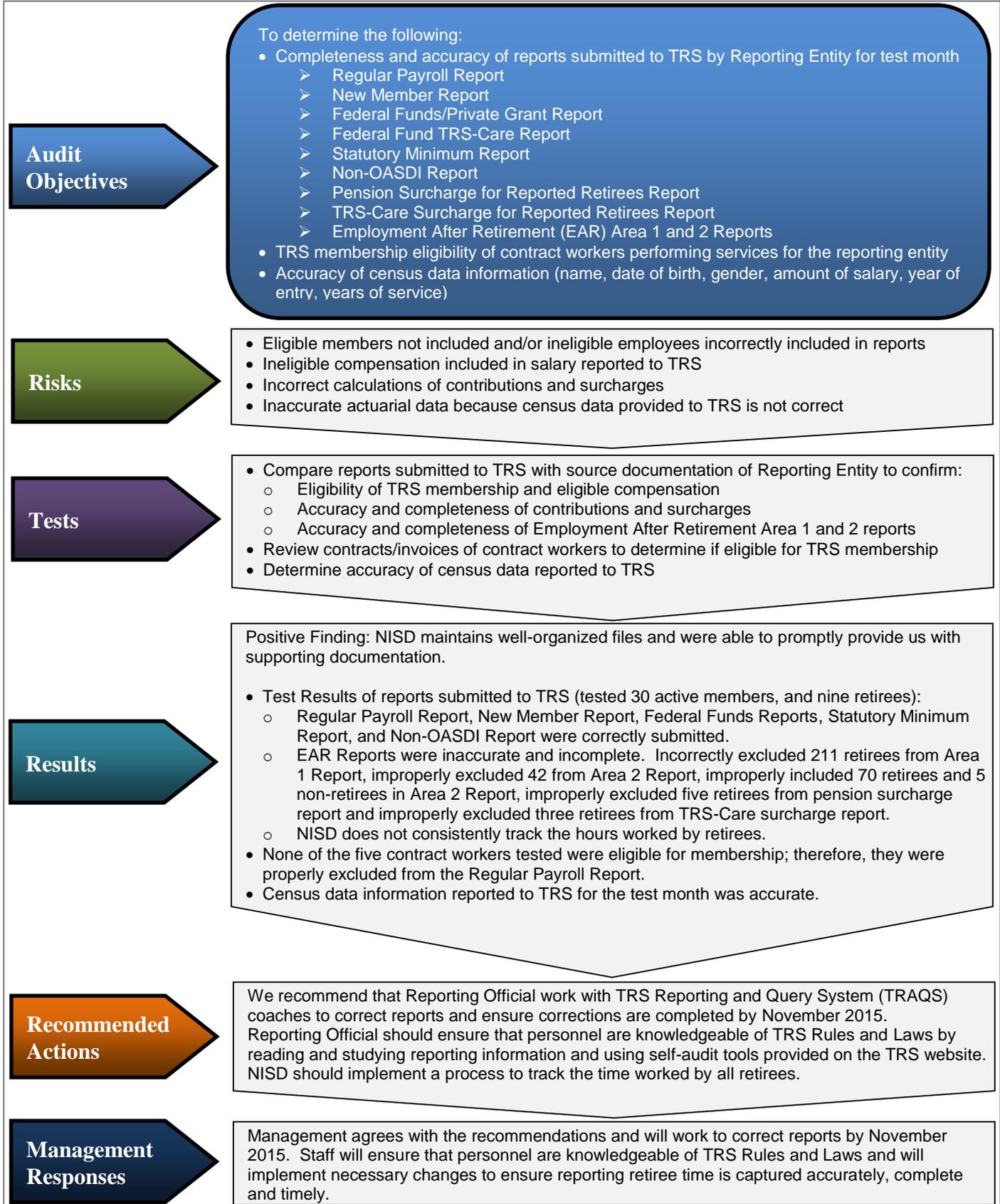


**AUDIT OF NORTHSIDE INDEPENDENT SCHOOL DISTRICT
SAN ANTONIO
October 29, 2015
TRS Internal Audit Department**





October 29, 2015

Dr. Brian T. Woods
Superintendent of Schools
Northside Independent School District
5900 Evers Road
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AUDIT REPORT OF NORTHSIDE INDEPENDENT SCHOOL DISTRICT SAN ANTONIO

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 the following:

- Completeness and accuracy of the reports submitted to TRS by the Reporting Entity¹ 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)

Based on our audit results, we noted a positive finding that the Northside Independent School District San Antonio (NISD) maintains well-organized files and were able to provide us with supporting documentation.

We concluded the following:

- Employment After Retirement Reports were inaccurate and incomplete and NISD does not consistently track time worked for all retirees
- 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 accurate

Refer to **Appendix B** for detailed results of testing.

¹ A Reporting Entity 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 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 Northside ISD was chosen for audit using a consistent risk assessment methodology that included the variables listed above.

REPORTING ENTITY BACKGROUND²

Northside Independent School District, San Antonio, (NISD) is committed to the belief that children come first. The mission of the district is to encourage each student to strive for personal excellence and to ensure all students learn to function, contribute, and compete as responsible individuals in an ever-changing world.

NISD has an enrollment of 102,953 students and is the 4th largest district in Texas and the 27th largest district in the nation. More than 13,500 people are employed full-time by NISD, making it one of the largest employers in San Antonio. The District opens two to three schools each year to accommodate an enrollment that is growing by about 1,500 students per year. Altogether, NISD has 146 schools and support facilities that comprise 17.4 million square feet of space.

² Information obtained from the ISD website and other internet sources.

Northside was established in 1949 when 12 rural school districts joined to form the 355-square-mile district that is today northwest San Antonio. The very first graduating class in 1951 had nine graduates. Today, more than 6,000 seniors cross the graduation stage each year. Almost 90 percent of NISD is in Bexar County. The rest is in Bandera and Medina counties.

For five straight years, NISD had a finalist for Texas Teacher of the Year and NISD was the first school district in the state to be honored by H-E-B Excellence in Education Awards. Since 1995, the Northside Education Foundation has awarded more than \$8 million in scholarships and teacher and program grants. Earlier this year, the Washington Post released their annual rankings of America's Most Challenging High Schools and nine Northside high schools made the 2015 list, including Communications Arts High School which was ranked in the top 100 nationally and top 30 in the state.

Northside's extensive energy management program has saved the District more than \$3.9 million in utility bills since 2010, and has collected more than \$3.3 million in CPS Energy rebates. NISD has made history by being recognized by the Environmental Protection Agency (EPA) as a member of the 2014 ENERGY STAR Certification Nation for certifying more than five buildings in 2014. In fact, NISD has ten schools that are EPA ENERGY STAR rated in 2014. NISD is the only school district in San Antonio to have ENERGY STAR Certified Schools.

RESULTS AND RECOMMENDATIONS

OVERALL RESULTS

Positive Findings

Based on our audit results, we noted a positive finding that the NISD maintains well-organized files and were able to provide us with supporting documentation.

Other Findings

We tested:

- Thirty of the population of 13,559 members reported to TRS in the Regular Payroll Report for the test month of February 2015
- Nine of the 71 retirees who performed services in February 2015
- 343 people reported in the Employment After Retirement Area 1 and 2 Reports
- Five employees paid in the test month who were not reported to TRS in the Regular Payroll Report

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

NAME OF REPORT	COMPLETE?	ACCURATE?
Regular Payroll Report	Yes	Yes
- Member Contributions to Pension Fund		
- Member Contributions to TRS-Care		
- Reporting Entity Contributions to TRS-Care		
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	Yes	Yes
Reporting Entity Payment for Non-OASDI Members Report	Yes	Yes
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.

NISD improperly classified retirees in the Area 2 Report.

NISD does not consistently track the hours worked by retirees; thus, information to support the EAR reports is inaccurate and incomplete.

We tested five of the 10,333 payments made to vendors to determine if contract workers performing services were eligible for TRS membership and concluded that none of the five were eligible and were properly excluded from the Regular Payroll Report.

Census data information reported to TRS was accurate.

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 November 2015.

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.

NISD should implement a process to track the time worked by all retirees.

MANAGEMENT RESPONSES

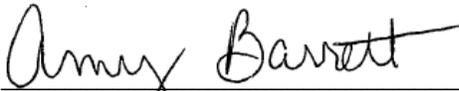
We concur with the recommendations made by Internal Audit. We will work with our TRAQS coach to adjust the reports. We plan to have the adjustments completed within the time frame recommended by TRS.

We will 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.

We will review our process to track time worked by retirees. We will make and implement necessary changes to ensure reporting retiree time is captured accurately, complete and timely.

* * * * *

We appreciate Northside 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: Northside 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 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 February 2015. We selected:

- Thirty of the population of 13,559 members reported to TRS in the Regular Payroll Report for the test month of February 2015
- Nine of the 71 retirees who performed services in February 2015
- 343 people reported in the Employment After Retirement Area 1 and 2 Reports
- Five employees paid in the test month who were not reported to TRS in the Regular Payroll Report

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

We did not test the eligibility to receive an annuity of those 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 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 the 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 Grants/Private Funds 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

Based on our audit results, we noted a positive finding that the Northside Independent School District (NISD) maintains well-organized files and were able to provide us with supporting documentation.

We concluded the following:

- Employment After Retirement Reports were inaccurate and incomplete
- 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 accurate

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

APPENDIX B

NORTHSIDE ISD

DETAIL OF ADJUSTMENTS TO REPORTS

Population, sampling, and overview of test results:

Test month: February 2015

SECTION 1 Tested 30 of 13,559 total members reported to TRS in the test month for eligibility and accuracy of contributions.

Test results - no exceptions.

Tested five of the 2,565 employees not reported to TRS for the test month.

Test results - no exceptions.

Tested five of the approximately 10,333 payments made to vendors during the test month to determine TRS eligibility.

Test results - no exceptions.

SECTION 2 Tested nine of the 71 retirees that worked in the test month in a position other than a substitute to determine if worked more than half-time and surcharges owed.

Test results - no exceptions; however, management disclosed that five other retirees of the 71 that worked in the test month worked more than half-time and were improperly excluded from the pension surcharge report and that three of these five retirees were improperly excluded from the TRS-Care surcharge report. Surcharges are due to TRS.

SECTION 3 Tested 343 people reported on the Employment After Retirement Area 1 and 2 Reports.

Test results - 211 retirees were improperly excluded from the Area 1 report. In the Area 2 report, 42 retirees were improperly excluded and 75 were improperly included.

SECTION 1

MEMBER CONTRIBUTIONS TO PENSION FUND	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
No exceptions	\$ 3,372,072.66	\$ -	\$ -	\$ 3,372,072.66	0%

MEMBER CONTRIBUTIONS TO TRS-CARE	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
No exceptions	\$ 327,141.35	\$ -	\$ -	\$ 327,141.35	0%

REPORTING ENTITY CONTRIBUTIONS TO TRS-CARE	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
No exceptions	\$ 276,811.25	\$ -	\$ -	\$ 276,811.25	0%

NEW MEMBER REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
No exceptions	\$ 38,280.89	\$ -	\$ -	\$ 38,280.89	0%

FEDERAL FUNDS/PRIVATE GRANT REIMBURSEMENT TO STATE REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
No exceptions	\$ 219,608.77	\$ -	\$ -	\$ 219,608.77	0%

FEDERAL FUNDS REIMBURSEMENT TO TRS-CARE	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
No exceptions	\$ 32,521.69	\$ -	\$ -	\$ 32,521.69	0%

STATUTORY MINIMUM REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
No exceptions	\$ 743,071.65	\$ -	\$ -	\$ 743,071.65	0%

NON-OASDI REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
No exceptions	\$ 582,936.62	\$ -	\$ -	\$ 582,936.62	0%

SECTION 2

PENSION SURCHARGE FOR RETIREES REPORT	TOTAL REPORTED	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
Improperly excluded and did not pay contributions on five members		\$ 1,006.29			
	\$ -	\$ 1,006.29	\$ -	\$ 1,006.29	100%

TRS-CARE SURCHARGE FOR RETIREES REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
Improperly excluded and did not pay contributions on three members		\$ 2,821.00			
	\$ -	\$ 2,821.00	\$ -	\$ 2,821.00	100%

SECTION 3

EMPLOYMENT AFTER RETIREMENT AREA 1 AND 2 REPORT	REPORT TOTAL	UNDER STATED	OVER STATED	REVISED REPORT TOTAL	% ERROR
Improperly excluded 211 retirees from Area 1 Report					
Improperly included 70 retirees in Area 2 Report					
Improperly excluded 42 retirees from Area 2 Report					
Improperly classified retirees in Area 2 Report					
Improperly included 5 non-retirees in Area 2 Report	N/A	N/A	N/A	N/A	
GRAND TOTALS	\$ 5,592,444.88	\$ 3,827.29	\$ -	\$ 5,596,272.17	0.07%