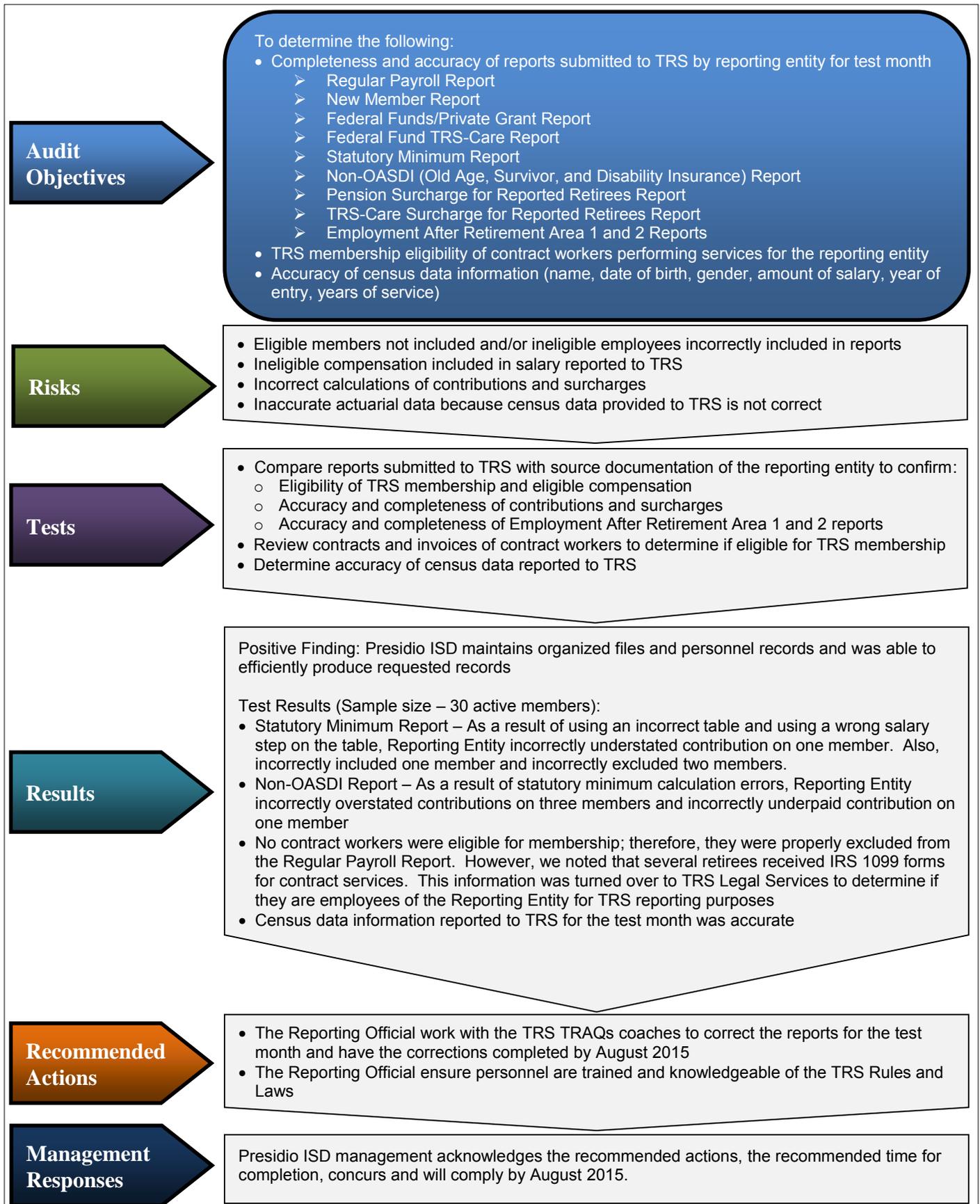


# AUDIT OF PRESIDIO INDEPENDENT SCHOOL DISTRICT

May 21, 2015

## TRS Internal Audit Department





May 21, 2015

Mr. Dennis McEntire  
Superintendent of Schools  
Presidio Independent School District  
P.O. Box 1401  
Presidio, TX 79845

## AUDIT REPORT OF PRESIDIO 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 the following:

- Completeness and accuracy of the reports submitted to TRS by the reporting entity<sup>1</sup> 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. Presidio Independent School District (Presidio ISD) maintains organized files and personnel records and was able to efficiently produce requested records.

We concluded the following:

- Statutory Minimum Report – As a result of using an incorrect table and using a wrong salary step on the table, Reporting Entity incorrectly understated contribution on one member. Also, incorrectly included one member and incorrectly excluded two members.
- Non-OASDI Report – As a result of statutory minimum calculation errors, Reporting Entity incorrectly overstated contributions on three members and incorrectly underpaid contribution on one member
- No contract workers were eligible for membership; therefore, they were properly excluded from the Regular Payroll Report. However, we noted that several retirees received IRS 1099 forms for contract services. This information was turned over to TRS Legal Services to determine if they are employees of the Reporting Entity for TRS reporting purposes
- Census data information reported to TRS for the test month was accurate

---

<sup>1</sup> 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 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

Presidio Independent School District (Presidio ISD) was chosen for audit using a consistent risk assessment methodology that included the variables listed above.

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

Presidio ISD, in Presidio, Texas, is located along the Rio Grande River in west Texas, only 100 miles from Big Bend National Park. This school district is one of the smallest in Texas. Approximately 150 faculty and support staff serve the 1,462 students.

In 2009, Presidio ISD was rated as "academically acceptable" by the Texas Education Agency. There are three campuses in the Presidio ISD: Presidio Elementary School, Lucy Rede Franco Middle School, and Presidio High School. In September 2011, Presidio ISD held a ribbon cutting for the restructured high school, which has been referred to as a "high school of tomorrow." The

---

<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 various internet sources and/or Reporting Entity website

all new design and features are more efficient, environmentally friendly, and was planned to save taxpayer dollars.

According to the 2000 United States Census, Presidio had a little over 4,000 in population and in 2010 had increased to a little over 5,000 residents.

## RESULTS AND RECOMMENDATIONS

### OVERALL RESULTS

#### Positive Findings

Based on our audit results, we noted a positive finding. Presidio Independent School District (Presidio ISD) maintains organized files and personnel records and was able to efficiently produce requested records.

#### Other Findings

We tested:

- Thirty of the population of the 266 reported to TRS in the Regular Payroll Report for October 2014
- All four 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	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	No	No
Reporting Entity Payment for Non-OASDI Members Report	No	No
Reporting Entity Pension Surcharge for Reported Retirees Report	Yes	Yes
Reporting Entity TRS-Care Surcharge for Reported Retirees Report	Yes	Yes
Reporting Entity Employment After Retirement (EAR) Report	Yes	Yes

See the table at **Appendix B** for information.

We tested five contract workers that performed services for the reporting entity and concluded that no contract workers were eligible for TRS membership. However, we noted that several

retirees received an IRS 1099 form for contract services. This was turned over to TRS Legal Services to determine if they are employees of the Reporting Entity for TRS reporting purposes.

Census data information reported to TRS for the test month was accurate

### **RECOMMENDATION**

The Reporting Official should work with the TRS TRAQs coaches to correct the reports and ensure that corrections are completed by August 2015.

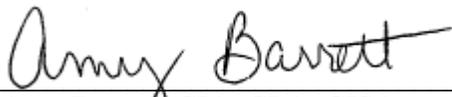
The Reporting Official should ensure that personnel are knowledgeable of TRS Rules and Laws by reading and studying the reporting information and self-audit tools provided on the TRS website.

### **MANAGEMENT RESPONSES**

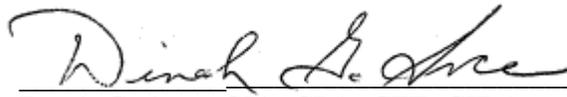
Presidio ISD management acknowledges the recommended actions, the recommended time for completion, concurs and will comply by August 2015.

\* \* \* \* \*

We appreciate Presidio 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: School Board Members

## 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 October 2014
- 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)

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

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

#### SCOPE

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

- Thirty sample items from 266 reported to TRS in the Regular Payroll Report for October 2014
- All four retirees who performed services in October 2014
- Five employees paid in October 2014 who were not reported to TRS in the Regular Payroll Report
- Five vendors from the list of IRS 1099 forms 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 and whether pension contributions included amounts that were not eligible (cell phone reimbursement, housing allowance, etc.).

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 payroll
- 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 Grants/Private Funds contributions
  - Employment After Retirement surcharges
  - Adjusted State Minimum Salary 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 or termination/retirement

## CONCLUSION

Based on our audit results, we noted a positive finding. The Presidio ISD maintains organized files and personnel records and was able to efficiently produce requested records.

We concluded the following:

- Statutory Minimum Report – As a result of using an incorrect table and using a wrong salary step on the table, Reporting Entity incorrectly understated contribution on one member. Also, incorrectly included one member and incorrectly excluded two members.
- Non-OASDI Report – As a result of statutory minimum calculation errors, Reporting Entity incorrectly overstated contributions on three members and incorrectly underpaid contribution on one member
- No contract workers performing services for reporting entity were eligible for membership; therefore, they were properly excluded from the Regular Payroll Report.

However, we noted that several retirees received an IRS 1099 form for contract services. This was turned over to TRS Legal Services to determine if they are employees of the Reporting Entity for TRS reporting purposes.

- Census data information reported to TRS for the test month was accurate

See the table at **Appendix B** for information.

**APPENDIX B**  
**PRESIDIO ISD**  
**DETAIL OF ADJUSTMENTS TO REPORTS**

Population and sampling:

- Tested 30 of 266 total members reported in the October 2014 TRS Regular Payroll Report
- Tested five employees not reported to TRS in the October 2014 Regular Payroll Report
- Tested all four retirees on payroll for the month of October 2014
- Tested five contract workers that performed services for the reporting entity

<b>ERROR #</b>	<b>REGULAR PAYROLL REPORT</b>	<b>REPORT TOTAL</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED REPORT TOTAL</b>	<b>% ERROR</b>
	No exceptions					
		\$ 51,810.83	\$ -	\$ -	\$ 51,810.83	0%
<b>ERROR #</b>	<b>NEW MEMBER REPORT</b>	<b>REPORT TOTAL</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED REPORT TOTAL</b>	<b>% ERROR</b>
	No exceptions					
		\$ 4,603.06	\$ -	\$ -	\$ 4,603.06	0%
<b>ERROR #</b>	<b>FEDERAL FUNDS/PRIVATE GRANT REIMBURSEMENT TO STATE REPORT</b>	<b>REPORT TOTAL</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED REPORT TOTAL</b>	<b>% ERROR</b>
	No exceptions					
		\$ 5,138.78	\$ -	\$ -	\$ 5,138.78	0%
<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					
		\$ 804.89	\$ -	\$ -	\$ 804.89	0%

<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	Incorrectly understated contribution on one member		\$ 63.01			
2	Incorrectly included one member			\$ 18.63		
3	Incorrectly excluded two members		\$ 73.37			
		\$ 3,930.93	\$ 136.38	\$ 18.63	\$ 4,048.68	3%
<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	Incorrectly overstated contributions on three members			\$ 33.15		
2	Incorrectly underpaid contributions on one member		\$ 4.11			
		\$ 10,714.78	\$ 4.11	\$ 33.15	\$ 10,685.74	0%
<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>
	No exceptions					
		\$ -	\$ -	\$ -	\$ -	0%
<b>ERROR #</b>	<b>TRS-CARE SURCHARGE FOR RETIREES REPORT</b>	<b>REPORT TOTAL</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED REPORT TOTAL</b>	<b>% ERROR</b>
	No exceptions					
		\$ -	\$ -	\$ -	\$ -	0%
<b>ERROR #</b>	<b>EMPLOYMENT AFTER RETIREMENT AREA 1 AND 2 REPORT</b>	<b>REPORT TOTAL</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED REPORT TOTAL</b>	<b>% ERROR</b>
	No exceptions					
		Not Applicable				
<b>GRAND TOTALS</b>		\$ 77,003.27	\$ 140.49	\$ 51.78	\$ 77,091.98	0%