

# AUDIT OF SOCORRO INDEPENDENT SCHOOL DISTRICT

August 3, 2016

## TRS Internal Audit Department

<b>Audit Objectives</b>	<p>To determine the following:</p> <ul style="list-style-type: none"> <li>• Completeness and accuracy of reports submitted to TRS by the Reporting Entity (RE) for the test month</li> <li>• TRS membership eligibility of contract workers performing services for the Reporting Entity</li> <li>• Accuracy of census data information (name, date of birth, gender, amount of salary, year of entry, years of service)</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>• Eligible members not included and/or ineligible employees are incorrectly included in reports</li> <li>• Ineligible compensation included in salary reported to TRS</li> <li>• Incorrect calculations of contributions and surcharges</li> <li>• Inaccurate actuarial data because census data provided to TRS is not correct</li> </ul>
<b>Scope and Tests</b>	<p>Test month – March 2016          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 returned to work.</p> <ul style="list-style-type: none"> <li>• To test completeness and accuracy of reports submitted to TRS:             <ul style="list-style-type: none"> <li>- Tested 30 of the 5,386 members reported to TRS and five employees not reported to TRS to determine eligibility by reviewing contract agreements, personnel files, third-party agreements, time reports, job descriptions, and compensation information</li> <li>- Tested all TRS Reporting and Query System (TRAQS) Reports submitted to TRS and verified totals reported to the RE detailed supporting documentation</li> <li>- Tested all retirees reported as having worked in the test month in a position other than a substitute to determine if time worked exceeded the TRS hour limit</li> </ul> </li> <li>• To test membership eligibility of independent vendors/contract workers:             <ul style="list-style-type: none"> <li>- Reviewed contracts/invoices/work agreements of five vendors/independent contract workers paid in the test month</li> </ul> </li> <li>• To test accuracy of census data information:             <ul style="list-style-type: none"> <li>- Assess supporting documentation for each sample item to confirm date of birth, hire date/years of service, eligible compensation, gender, and dates of termination/retirement</li> </ul> </li> </ul>
<b>Test Results and Conclusions</b>	<p>Conclusions</p> <ul style="list-style-type: none"> <li>• Positive Finding:             <ul style="list-style-type: none"> <li>○ Socorro ISD officials were prompt in responding to questions and providing supporting documentation</li> <li>○ Personnel files were well organized</li> </ul> </li> <li>• Test Results:             <ul style="list-style-type: none"> <li>○ Some reports were incomplete and inaccurate</li> <li>○ No vendor/independent contract workers were eligible for TRS membership and were therefore properly excluded from the TRS Regular Payroll Report</li> <li>○ Census data information reported to TRS was accurate</li> </ul> </li> </ul> <p>See details of testing results in Appendix B.</p>
<b>Recommended Actions</b>	<p>We recommend that the Reporting Official:</p> <ul style="list-style-type: none"> <li>• Work with TRAQS coaches to correct reports by the October 2016 report</li> <li>• Ensure personnel are knowledgeable of <i>TRS Laws and Rules</i></li> <li>• Maintain sufficient and accurate records of time worked for all substitutes and retirees</li> </ul>
<b>Management Responses</b>	<p>Reporting Entity management agrees with the recommendations.</p>



August 3, 2016

Superintendent of Schools  
Socorro Independent School District  
12440 Rojas Dr.  
El Paso, TX 79928-5261

## AUDIT REPORT OF SOCORRO INDEPENDENT SCHOOL DISTRICT

The Annual Audit Plan approved by the Teacher Retirement System of Texas (TRS) Board of Trustees includes audits of reporting entities<sup>1</sup> to confirm member eligibility and accuracy of contributions and fees. Also, in response to new requirements of the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA) issued a white paper indicating that reporting entities' census data should be audited. Subsequently, the AICPA reconfirmed this requirement when it issued the *State and Local Governments – Audit and Accounting Guide*. 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 the TRS *Comprehensive Annual Financial Report*.

The population of reporting entities from which the sample was selected for testing included all Texas public schools. The reporting entities chosen for audit were selected based on criteria including frequency of adjustments and corrections to reports, complaints about the reporting entity, warrant holds, TRS management requests, etc.

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.

See Appendix A for the audit objective, scope, methodology, and conclusion.

See the table at Appendix B for details of testing results.

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<sup>1</sup> A reporting entity (RE) is an employer, as defined in Texas Government Code, Title 8, Subtitle C, Chapter 821.001.

## REPORTING ENTITY BACKGROUND<sup>2</sup>

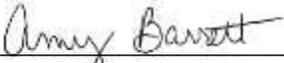
The Socorro Independent School District (SISD) is one of the fastest growing school districts in the state of Texas with 4,683 full-time employees serving more than 45,200 students with innovative instruction in state-of-the art facilities. SISD is an outstanding educational institution having been named a two-time Broad Prize finalist and having earned TEA Met Standards status three years in a row as well as surpassing the state average in all 17 STAAR exams during this same period. Recently, SISD has been recognized for numerous achievements to include being named Region 19 School Board of the Year and Texas Honor Board in 2015. In 2016, Dr. Jose Espinoza was named Region 19 Superintendent of the Year. Of particular note, SISD was the only West Texas school district to be named a finalist in the 2016 H-E-B Excellence in Education – Large School District category. Additionally, many other employee and student awards were earned at the district, regional and state level.

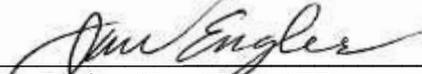
The District is dedicated to offering the best education in all 47 of its campuses focusing on student achievement for all students. SISD educators are highly qualified and work to ensure all students, including special populations such as low-income, bilingual, special education and military students, have the best resources and instruction to succeed.

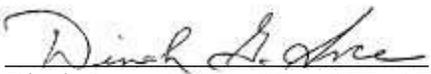
The District operates on a year-round calendar and has a long tradition of success. It is committed to "Achieve Success as a Team" so that all students are college and career-ready when they graduate from SISD schools.

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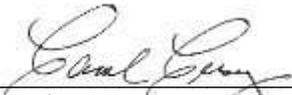
We appreciate Socorro ISD management and staff for their cooperation, courtesy, and professionalism extended to us during this audit.

  
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Chief Audit Executive

  
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<sup>2</sup> Information obtained from the ISD website and other internet sources.

## APPENDIX A

### AUDIT OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSION

#### AUDIT OBJECTIVE

Our audit objectives were to determine the following<sup>3</sup>:

- 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)

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 for a test month. We selected:

- Sample items from TRS Regular Payroll Report for the test month
- Retirees who worked in the test month
- Sample items from the Reporting Entity payroll register for employees who were not reported to TRS
- Vendor/independent 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.

#### METHODOLOGY

We specifically performed the procedures below.

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

- Confirm eligibility through contract agreements, personnel files, third-party agreements, time reports, job descriptions, and compensation information
- Tested all TRS Reporting and Query System (TRAQS) Reports submitted to TRS and verified totals reported to the RE detailed supporting documentation

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<sup>3</sup> Assuming the completeness and accuracy of the official records maintained by the RE

- Tested all retirees reported as having worked in the test month in a position other than a substitute to determine if time worked exceeded the TRS hour limit

**2. To test membership eligibility of independent vendors/contract workers**

- Reviewed contracts/invoices/work agreements of five vendors/independent contract workers paid in the test month

**3. To determine accuracy of census data of eligible members:**

- Assess supporting documentation for each sample item to confirm date of birth, hire date/years of service, eligible compensation, gender, and dates of termination/retirement

**CONCLUSION**

- Some reports were incomplete and inaccurate
- No vendor/independent contract workers were eligible for TRS membership and were therefore properly excluded from the TRS Regular Payroll Report
- Census data information reported to TRS was accurate

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

**APPENDIX B**  
**SOCORRO ISD**  
**DETAIL OF TESTING RESULTS**

<b>REGULAR PAYROLL REPORT</b>	<b>GRAND TOTAL REPORTED</b>	<b>TOTAL TESTED</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED TOTAL TESTED</b>	<b>% ERROR</b>
<b>Member Contributions to Pension Fund</b>						
No exceptions						
TOTAL	1,418,557.65	10,755.00	\$ -	\$ -	\$ 10,755.00	0.00%
<b>Member Contributions to TRS-Care</b>						
No exceptions						
TOTAL	128,066.53	970.94	\$ -	\$ -	\$ 970.94	0.00%
<b>RE Contributions to TRS-Care</b>						
No exceptions						
TOTAL	108,362.94	821.56	\$ -	\$ -	\$ 821.56	0.00%
<b>NEW MEMBER REPORT</b>						
No exceptions						
TOTAL	\$ 10,383.40	\$ 72.53	\$ -	\$ -	\$ 72.53	0.00%
<b>FEDERAL FUND/PRIVATE GRANT REIMBURSEMENT TO STATE</b>						
Improperly included and paid contributions on one new member				\$ 72.53		
TOTAL	\$ 109,442.89	\$ 682.21	\$ -	\$ 72.53	\$ 609.68	10.63%
<b>TRS-CARE FEDERAL GRANT REIMBURSEMENT TO STATE</b>						
No exceptions						
TOTAL	\$ 16,099.46	\$ 100.33	\$ -	\$ -	\$ 100.33	0.00%

<b>STATUTORY MINIMUM REPORT</b>		<b>GRAND TOTAL REPORTED</b>	<b>TOTAL TESTED</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED TOTAL TESTED</b>	<b>% ERROR</b>
Incorrectly calculated and underpaid contributions on seven members				\$ 323.89			
TOTAL		\$ 211,277.95	\$ 3,086.81	\$ 323.89	\$ -	\$ 3,410.70	10.49%
<b>NON-OASDI REPORT</b>		<b>GRAND TOTAL REPORTED</b>	<b>TOTAL TESTED</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED TOTAL TESTED</b>	<b>% ERROR</b>
No exceptions							
TOTAL		\$ 239,235.49	\$ 1,477.81	\$ -	\$ -	\$ 1,477.81	0.00%
<b>EMPLOYMENT AFTER RETIREMENT AREA 1 AND 2 REPORT</b>							
Improperly excluded one retiree in Area 1 report		Dollars not applicable					
Improperly excluded one retiree in Area 2 report							
Improperly reported one retiree in Area 2 instead of Area 1							
<b>PENSION SURCHARGE FOR RETIREES REPORT</b>		<b>GRAND TOTAL REPORTED</b>	<b>TOTAL TESTED</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED TOTAL TESTED</b>	<b>% ERROR</b>
No exceptions							
TOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
<b>TRS-CARE SURCHARGE FOR RETIREES REPORT</b>		<b>GRAND TOTAL REPORTED</b>	<b>TOTAL TESTED</b>	<b>UNDER STATED</b>	<b>OVER STATED</b>	<b>REVISED TOTAL TESTED</b>	<b>% ERROR</b>
No exceptions							
TOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
<b>GRAND TOTAL DOLLAR ADJUSTMENTS</b>			\$ 17,967.19	\$ 323.89	\$ 72.53	\$ 18,218.55	