

AUDIT OF YSLETA INDEPENDENT SCHOOL DISTRICT

August 3, 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
Scope and Tests	<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"> • To test completeness and accuracy of reports submitted to TRS: <ul style="list-style-type: none"> - Tested 30 of the 6,185 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 - Tested all TRS Reporting and Query System (TRAQS) Reports submitted to TRS and verified totals reported to the RE detailed supporting documentation - 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 • To test membership eligibility of independent vendors/contract workers: <ul style="list-style-type: none"> - Reviewed contracts/invoices/work agreements of five vendors/independent contract workers paid in the test month • To test accuracy of census data information: <ul style="list-style-type: none"> - 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
Test Results and Conclusions	<p>Conclusions</p> <ul style="list-style-type: none"> • Positive Finding: <ul style="list-style-type: none"> ○ Ysleta ISD officials were prompt in responding to questions and providing supporting documentation ○ Personnel files were well organized • Test Results: <ul style="list-style-type: none"> ○ 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 <p>See details of testing results in Appendix B.</p>
Recommended Actions	<p>We recommend that the Reporting Official:</p> <ul style="list-style-type: none"> • Work with TRAQS coaches to correct reports by the October 2016 report • Ensure personnel are knowledgeable of <i>TRS Laws and Rules</i> • Maintain sufficient and accurate records of time worked for all substitutes and retirees
Management Responses	<p>Reporting Entity management agrees with the recommendation.</p>



August 3, 2016

Superintendent of Schools
Ysleta Independent School District
9600 Sims Dr.
El Paso, TX 79925

AUDIT REPORT OF YSLETA INDEPENDENT SCHOOL DISTRICT

The Annual Audit Plan approved by the Teacher Retirement System of Texas (TRS) Board of Trustees includes audits of reporting entities¹ 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.

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

REPORTING ENTITY BACKGROUND²

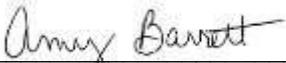
The Ysleta Independent School District (YISD) is the third largest school district in El Paso, Texas serving more than 42,500 students in a culturally diverse, family-friendly community. The district offers innovative instruction, state-of-the art facilities and a safe and secure educational environment. The Ysleta district has grown from its humble beginnings as a rural education district with one high school and a handful of middle and elementary schools into one of the major school districts in the state of Texas. YISD has 62 campuses, which sprawl through an urban area stretching from northeast El Paso to the east and southeast areas of the city. The district employs 6,000 administrators, teachers and support staff.

The small town of Ysleta was named after the Isleta Indians of northern New Mexico, a Pueblo Indian tribe that resided in the area for a thousand years. Over the next four centuries waves of immigration into the area cultivated the diverse town that was incorporated into the city of El Paso in the 1950s. The first school in Ysleta was opened in 1880 and, although records are sketchy, it seems Ysleta High School originated in 1900. The Ysleta school district was formally organized in 1915 and the first unit of Ysleta Elementary was opened in 1917. Ysleta's district boundaries contain nationally recognized areas of historic missions, homes and Indian settlements. Structures on the Mission Trail date back to the 1600s and represent some of the oldest examples of European colonization in the United States.

YISD is committed to providing students and educators' resources that will ensure academic success and prepare students to compete in the 21st century global society. YISD was named a national Broad Prize finalist for two consecutive years in 2010 and 2011. YISD remains committed to achieving student success being propelled by strong leadership and innovative instructional strategies.

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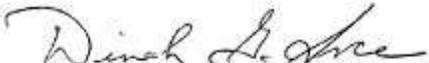
We appreciate Ysleta ISD management and staff for their cooperation, courtesy, and professionalism extended to us during this audit.



Amy Barrett, CIA, CPA, CISA
Chief Audit Executive



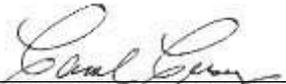
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² Information obtained from the ISD website and other internet sources.

APPENDIX A

AUDIT OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSION

AUDIT OBJECTIVE

Our audit objectives were to determine the following³:

- 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

³ 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
YSLETA ISD
DETAIL OF ADJUSTMENTS TO REPORTS

REPORT TESTING DETAILS

REGULAR PAYROLL REPORT	GRAND TOTAL REPORTED	TOTAL TESTED	UNDER STATED	OVER STATED	REVISED TOTAL TESTED	% ERROR
Member Contributions to Pension Fund						
No exceptions for the 30 reported to TRS; however, one employee not reported to TRS was improperly excluded from the TRS Regular Payroll Report and contributions were not paid			\$ 59.51			
TOTAL	\$ 1,637,778.04	\$ 10,442.35	\$ 59.51	\$ -	\$ 10,501.86	0.57%
Member Contributions to TRS-Care						
No exceptions for the 30 reported to TRS; however, one employee not reported to TRS was improperly excluded from the TRS Regular Payroll Report and contributions were not paid			\$ 5.37			
TOTAL	\$ 147,854.62	\$ 942.71	\$ 5.37	\$ -	\$ 948.08	0.57%
RE Contributions to TRS-Care						
No exceptions for the 30 reported to TRS; however, one employee not reported to TRS was improperly excluded from the TRS Regular Payroll Report and contributions were not paid			\$ 4.55			
TOTAL	\$ 125,108.24	\$ 797.68	\$ 4.55	\$ -	\$ 802.23	0.57%
NEW MEMBER REPORT	GRAND TOTAL REPORTED	TOTAL TESTED	UNDER STATED	OVER STATED	REVISED TOTAL TESTED	% ERROR
No exceptions						
TOTAL	\$ 6,662.40	\$ 912.89	\$ -	\$ -	\$ 912.89	0.00%
FEDERAL FUNDS/PRIVATE GRANT REIMBURSEMENT TO STATE	GRAND TOTAL REPORTED	TOTAL TESTED	UNDER STATED	OVER STATED	REVISED TOTAL TESTED	% ERROR
No exceptions						
TOTAL	\$ 155,326.22	\$ 371.48	\$ -	\$ -	\$ 371.48	0.00%
TRS-CARE FEDERAL GRANT REIMBURSEMENT TO STATE	GRAND TOTAL REPORTED	TOTAL TESTED	UNDER STATED	OVER STATED	REVISED TOTAL TESTED	% ERROR
No exceptions						
TOTAL	\$ 22,884.18	\$ 54.63	\$ -	\$ -	\$ 54.63	0.00%

STATUTORY MINIMUM REPORT	GRAND TOTAL REPORTED	TOTAL TESTED	UNDER STATED	OVER STATED	REVISED TOTAL TESTED	% ERROR
Incorrectly calculated and overpaid contributions on three members				\$ 25.25		
TOTAL	\$ 242,797.13	\$ 2,682.24	\$ -	\$ 25.25	\$ 2,656.99	0.94%
NON-OASDI REPORT						
NON-OASDI REPORT	GRAND TOTAL REPORTED	TOTAL TESTED	UNDER STATED	OVER STATED	REVISED TOTAL TESTED	% ERROR
Incorrectly calculated and overpaid contributions on one member				\$ 153.35		
Incorrectly calculated and improperly underpaid contributions on two members			\$ 4.61			
Improperly excluded one employee from the TRS Regular Payroll Report (see testing of Regular Payroll Report above) and therefore did not pay contribution			\$ 12.40			
TOTAL	\$ 284,890.51	\$ 1,570.80	\$ 17.01	\$ 153.35	\$ 1,434.46	10.85%
EMPLOYMENT AFTER RETIREMENT AREA 1 AND 2 REPORT						
Improperly excluded 64 retirees from Area 1 and Area 2 Reports	Dollars not applicable					
Incorrectly reported one retiree on Area 2 instead of Area 1						
PENSION SURCHARGE FOR RETIREES REPORT						
PENSION SURCHARGE FOR RETIREES REPORT	GRAND TOTAL REPORTED	TOTAL TESTED	UNDER STATED	OVER STATED	REVISED TOTAL TESTED	% ERROR
No exceptions						
TOTAL	\$ 4,556.48	\$ 4,556.48	\$ -	\$ -	\$ 4,556.48	0.00%
TRS-CARE SURCHARGE FOR RETIREES REPORT						
TRS-CARE SURCHARGE FOR RETIREES REPORT	GRAND TOTAL REPORTED	TOTAL TESTED	UNDER STATED	OVER STATED	REVISED TOTAL TESTED	% ERROR
No exceptions						
TOTAL	\$ 2,347.00	\$ 2,347.00	\$ -	\$ -	\$ 2,347.00	0.00%
GRAND TOTAL DOLLAR ADJUSTMENTS						
		\$ 24,678.26	\$ 86.44	\$ 178.60	\$ 24,586.10	