



Internal Audit
Reporting Employer Testing
Agreed-Upon Procedures (AUP)

Sept. 19, 2025
Presented By:
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Background: Agreed-Upon Procedures (AUP) Engagement



AGREED-UPON PROCEDURES

Internal Audit completed Agreed-Upon Procedures (AUP) in agreement with Pension Services.

In accordance with auditing standards, an AUP engagement is not an examination or a review and requires Internal Audit to report findings without providing an opinion or conclusion.

Procedures tested Reporting Employer (RE) employee and payroll data submitted to TRUST.¹

¹Teacher Retirement Unified System for Technology (TRUST)



Risk-Based Selection of Reporting Employers



REs SELECTED FOR TESTING

A data-driven risk assessment helped identify seven REs out of 1,219 possible:

1. College Station Independent School District
2. Greenville Independent School District
3. Jim Hogg County Independent School District
4. NYOS Charter School
5. Richard Milburn Academy (RMA) - Killeen
6. San Angelo Independent School District
7. Spring Independent School District

Nine risk factors were applied, including:

- Executive Management Concern
- High Rate of One-Time Change in Compensation
- High Rate of Employees Ineligible for TRS Membership
- High Rate of Gross versus Eligible Compensation Difference



Areas of Testing



In agreement with Pension Services, Internal Audit conducted testing of FY2024 data submitted to TRUST for the following areas:

CENSUS	ELIGIBILITY	COMPENSATION
<ul style="list-style-type: none">Personal information<ul style="list-style-type: none">i.e., name, date of birth, gender, social security number and address	<ul style="list-style-type: none">RE full payroll reported, regardless of employee eligibility for TRS membership	<ul style="list-style-type: none">Individual eligible compensation accuracy
<ul style="list-style-type: none">Employment information<ul style="list-style-type: none">i.e., hire date, position code and employment type	<ul style="list-style-type: none">Accuracy of non-member employees reported as not TRS eligibleNon-retiree Regular Payroll reports do not contain retirees	<ul style="list-style-type: none">Total Gross Compensation (TGC¹) accuracy<ul style="list-style-type: none">Aggregate reconciliation between RE payroll data and TRUST

¹ Total Gross Compensation (TGC) is the total compensation amount for all employees (members and non-members) on RE payroll. Not all gross compensation is eligible salary. Eligible salary is determined based on eligibility for TRS membership and creditable compensation rules.



Results: Reporting Employer Testing (AUP Engagement)



AGREED-UPON PROCEDURES RESULTS

Key results included minimal exceptions in census data with most fields reported accurately.

Eligibility and compensation reporting included a larger number of exceptions potentially impacting individual members.

For census data, 39% of records (41 out of 105) contained permanent address inaccuracies in TRUST due to not receiving updates from active members.¹

Inaccuracies and discrepancies were observed and shared with management.

¹ Results are based on a risk-based, targeted sampling methodology and are not representative of the full population of data.



Highlighted Results



Results are based on a risk-based, targeted sampling methodology and are not representative of the full population of data.

CENSUS	ELIGIBILITY	COMPENSATION
<ul style="list-style-type: none">Other than permanent addresses, inaccurate personal information for three of 105 (3%) members tested	<ul style="list-style-type: none">21 out of 14,443 (0.1%) employees were improperly excluded from full payroll reported to TRUST	<ul style="list-style-type: none">Eight out of 105 (8%) members' reporting months tested included underreported eligible compensation
<ul style="list-style-type: none">Inaccurate permanent addresses for 41 out of 105 (39%) of members tested	<ul style="list-style-type: none">42 out of 105 (40%) non-member employees appear to be eligible. Most were incorrectly reported as substitutes	<ul style="list-style-type: none">TGC¹ reported to TRUST for the scope was \$579.3M, with a total discrepancy of \$1.3M (0.22%) compared to RE payroll data
<ul style="list-style-type: none">Inaccurate employment information for 19 out of 105 (18%) members tested	<ul style="list-style-type: none">100% accuracy for appropriately omitting retirees from Regular Payroll reports	

¹ Total Gross Compensation (TGC) is the total compensation amount for all employees (members and non-members) on RE payroll. Not all gross compensation is eligible salary. Eligible salary is determined based on eligibility for TRS membership and creditable compensation rules.



Recommendations and Management Response



Recommendations	Action & Target Date
1. Work with REs to correct reporting inaccuracies, and provide input to REs regarding their reporting processes	1. Will provide instructions to REs, conduct targeted training, and work with REs to make necessary corrections (June 2026)
2. Enhance current processes to increase the probability of maintaining updated member addresses	2. Will explore enhancements to the address reporting process with IT, continue member education and conduct direct phone outreach to active members with missing address data (March 2027)



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Appendix: AUP Objective, Methodology and Scope

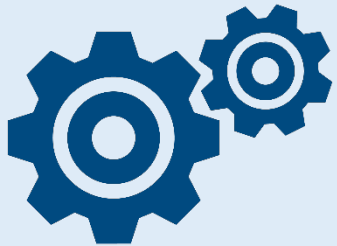


Appendix: AUP Objective, Methodology and Scope



AUP OBJECTIVE

- ✓ The agreed-upon procedures engagement objective was to determine the accuracy of data reported to TRS for a sample of employees



METHODOLOGY

- ✓ Data-driven risk assessment
- ✓ Risk-based, targeted sampling methodology
- ✓ TRS TRUST data versus RE payroll data



SCOPE

- ✓ Sept. 1, 2023 – Aug. 31, 2024
- ✓ Agreed-upon procedures for employer reporting to TRS TRUST in the areas of census, eligibility and compensation



Reporting Employer Testing

(Agreed-Up Procedures Engagement)



Teacher Retirement System of Texas Internal Audit Department

Business Objective	Receive complete and accurate data from Reporting Employers (REs) regarding census ¹ , eligibility, and compensation of members		
	Census	Eligibility	Compensation
Business Risks	<ul style="list-style-type: none"> Inaccurate actuarial estimations Unsuccessful member verification Inaccurate service credit 	<ul style="list-style-type: none"> Inaccurate eligibility determination Inaccurate service credit Inaccurate eligible salary Over/underpayment of member pre-tax contributions Under-reported surcharges 	
Management Assertions	<ul style="list-style-type: none"> REs are knowledgeable of TRS Laws and Rules REs provide accurate census, eligibility, and compensation data to TRS 		
Agreed-Up Procedures (AUP)	<ul style="list-style-type: none"> Utilize data analytics to identify anomalies in employer reporting for seven REs 		
	<ul style="list-style-type: none"> Census data (personal and employment information) accuracy 	<ul style="list-style-type: none"> Full payroll reported Ineligibility accuracy Non-retiree Regular Payroll reports do not contain retirees 	<ul style="list-style-type: none"> Individual eligible compensation accuracy Total Gross Compensation (TGC) accuracy
Test Results	For members tested: <ul style="list-style-type: none"> Minor discrepancies identified in census data (personal and employment information), with the highest exception rates for inaccurate or missing permanent addresses due to lack of updates from members 	For employees tested: <ul style="list-style-type: none"> Incorrect exclusion from full payroll reporting to TRUST² Incorrect reporting of non-member employees as ineligible Potential underpayment of member pre-tax contributions No exceptions discovered for employees after retirement 	For reporting months tested: <ul style="list-style-type: none"> Members' individual eligible compensation over/underreported Inaccurate member pre-tax contributions Variance between RE payroll TGC and TRUST TGC beyond the AUP criteria with no valid reason identified for the difference
Recommended Actions	<ul style="list-style-type: none"> Work with REs to correct reporting inaccuracies, and provide input to REs regarding their reporting processes Enhance current processes to increase the probability of maintaining updated member addresses 	n/a	n/a
Management Responses	<ul style="list-style-type: none"> Will provide instructions to REs, conduct targeted training, and work with REs to make necessary corrections (June 2026) Will explore enhancements to the address reporting process with IT, continue member education, and conduct direct phone outreach to active members with missing address data (March 2027) 		

¹ Census Data includes both personal and employment information

² Teacher Retirement Unified System for Technology



Reporting Employer Testing (Agreed-Upon Procedures Engagement)

25-102

Internal Audit Department

September 2025

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EXECUTIVE SUMMARY

Overview

Internal Audit completed Agreed-Upon Procedures testing on Reporting Employers (REs) in accordance with the Fiscal Year 2025 Audit Plan. Procedures were agreed to by Pension Services and included testing of data submitted to the Teacher Retirement System's (TRS) Teacher Retirement Unified System for Technology (TRUST) by seven REs: College Station Independent School District, Greenville Independent School District, Jim Hogg County Independent School District, NYOS Charter School, Richard Milburn Academy (RMA) – Killeen, San Angelo Independent School District, and Spring Independent School District.

As summarized below, the agreed-upon procedures engagement identified both correct and incorrect data when testing the accuracy of reports submitted by REs. Results are based on a risk-based, targeted sampling methodology and are not representative of the full population of data.

Census Data

We conducted testing of census data for 105 employees across all seven REs, focusing on key fields including member name, social security number, date of birth, gender, position code, employment type, and date of hire. No exceptions were found in the accuracy of member name and social security number. Few discrepancies were identified in date of birth, gender, position code, employment type, and date of hire. The most frequent issue was with the permanent address field, where 39% of records (41 out of 105) contained inaccuracies in TRUST due to not receiving updates from members.

Eligibility for TRS Membership

Testing of TRS membership eligibility found no exceptions for Employment After Retirement (EAR) members appearing on non-retiree Regular Payroll (RP) reports. However, across the seven REs, 40% (42 out of 105) of employees tested were incorrectly reported by REs as ineligible for TRS membership. Most exceptions involved employees reported as substitutes although supporting documentation showed that employees met eligibility requirements.

In addition, a targeted sample of 26 unreported employees were identified through data analysis from the total RE payroll population of 14,443 as potential reporting errors. Of the sample, 21 were found to have been improperly excluded from TRUST reporting, despite the requirement to report all employees regardless of TRS eligibility.

Employee Compensation

Testing of individual employee compensation data showed accurately reported compensation for 97 member reporting months.¹ Specifically, eight exceptions contained misreported

¹ A 'member reporting month' is a unit of testing that represents payroll information submitted by an RE to TRUST that represents an individual employee's compensation for a given reporting month. For example, Employee A payroll information for May 2024 is considered a member reporting month, and the same employee for June 2024 is considered a separate member reporting month.

compensation, resulting in a net understatement of \$18,795.61 in eligible salary and \$1,550.64 in member contributions. Additionally, 5% (5 out of 105) of member reporting months tested reflected overreported gross salary due to inaccurate RE adjustments to original RP submissions. The overstatements did not affect eligible salary or member pre-tax contributions.

Aggregate-level testing compared Total Gross Compensation (TGC) reported to TRUST with payroll register data provided by the REs.² TGC reported to TRUST for the scope was \$579,309,986.24, with a total discrepancy of 0.22% (\$1,299,592.48) compared to RE payroll data. Per agreed-upon procedures, a reporting month was considered an exception if the discrepancy exceeded +/-0.1%. This threshold was met in 35% (29 out of 84) of reporting months tested.

Further analysis of the 29 exception months included limited individual sample testing to identify the source of the discrepancies. In 85% (22 out of 26), no valid reason was identified for the differences in TGC.

Management Response Summary

Management agrees with the recommendations and will work with the REs to correct reporting inaccuracies and provide targeted one-on-one training. We will also continue to work with Communications and Member Services to promote the importance of members keeping their addresses up to date with TRS. In addition, there is a maintenance and enhancement ticket logged for future enhancements in the RE Portal to assist with address validations when reported by the employer.

² Total Gross Compensation (TGC) is the total compensation amount for all employees (members and non-members) on RE payroll. Not all gross compensation is eligible salary. Eligible salary is determined based on eligibility for TRS membership and creditable compensation rules.

Background

An Agreed-Upon Procedures engagement is performed solely on the procedures agreed to by specified parties. We performed the procedures agreed to by Pension Services related to testing the accuracy of census³ data, eligibility for TRS membership, and employee compensation. Internal Audit does not express an opinion as it relates to an examination of a business objective.

The agreed-upon procedures included testing data submitted to the TRS Teacher Retirement Unified System for Technology (TRUST). TRUST is the agency's internet-based reporting system for Reporting Employers to submit monthly reports. We performed testing on reports submitted to TRUST by seven Reporting Employers⁴ (REs):

- College Station Independent School District
- Greenville Independent School District
- Jim Hogg County Independent School District
- NYOS Charter School
- Richard Milburn Academy (RMA) - Killeen
- San Angelo Independent School District
- Spring Independent School District

The accuracy of data reported by REs has implications at both an individual employee and pension system level. At an individual level, adverse effects of inaccurate data could include, but are not limited to accurate Final Average Salary calculations, over/underpayment of member pre-tax contributions, incorrect TRS membership determination, and missed notification of key communications. At the pension system level, data inaccuracies that reach material thresholds can adversely impact actuarial estimations.

Results of the agreed-upon procedures are presented in more detail in the **Agreed-Upon Procedures Results** section and **Appendix A**. The objective, scope, and methodology are described in **Appendix B**. The summary of business objectives, risks, and management assertions are described in **Appendix C**.

Scope

The scope of the agreed-upon procedures engagement includes employer reporting to TRS in the areas of census, eligibility, compensation, and contributions during Fiscal Year 2024. Fieldwork testing was performed during March – July 2025.

³ Census data is personal and employment information.

⁴ "Reporting Employer" is the "Employer" for purposes of this test.

AGREED-UPON PROCEDURES RESULTS

Business Objective – Receive complete and accurate data from Reporting Employers (REs) regarding census, eligibility and compensation.

As summarized below, the agreed-upon procedures engagement identified both accurate and inaccurate data in reports submitted by Reporting Employers (REs). Most census data fields were reported accurately with few exceptions. However, member address information showed the highest rate of inaccuracies. Additionally, some employment details were misreported. Testing of TRS membership eligibility produced mixed results, with both correct and incorrect classifications observed. Compensation data was generally accurate, however some discrepancies were identified and can impact member pre-tax contributions.

Based on the test results from the agreed-upon procedures, the testing identified opportunities to improve accuracy of TRUST data in the following areas.

Census, Eligibility, and Compensation Exceptions

Testing performed as part of agreed-upon procedures identified exceptions across Census data, Eligibility, and Compensation reporting. Detailed exception results and supporting documentation have been provided to management, with a summary included in Appendix A.

In TRUST, member addresses are stored with an Effective Date and an End Date to maintain address history. Census testing focused on the accuracy of the Permanent Address active in TRUST during the scope period. Results showed that 39% (41 of 105) of members had an inaccurate or missing address in TRUST.

Further research into exceptions found that the most common cause was member relocation without subsequent address updates in TRUST. Several cases involved undeliverable annual pension statements, likely due to outdated addresses.

It is important to note that REs are not responsible for updating member addresses in TRUST, and thus REs do not bear any responsibility to correct the exceptions. Per TRS Report Formatting Guide (July 2024, p11), address updates must be submitted directly by the member using MyTRS or the TRS358 form.

Recommendation 1

Internal Audit recommends management review the identified exceptions and collaborate with Reporting Employers to correct inaccuracies related to demographic data, eligibility determinations, and compensation reporting. These exceptions may indicate deficiencies in RE reporting processes. Where appropriate, management should provide guidance to REs to improve data accuracy.

Management Response:

Management agrees with the recommendation. The Reporting team will review the test results and contact the respective REs with instructions to make any necessary corrections.

To support the REs in improving data accuracy, the team will provide targeted training in areas where deficiencies were identified. The timeline for the actions is as follows:

- By November 30: Instructions for necessary corrections will be communicated to the REs with a deadline of January 31.
- By March 31: Targeted training sessions will be conducted to address identified areas of improvement.
- By June 30: REs are expected to complete all required corrections.

Management is committed to ongoing continued collaboration with RE payroll reporting staff to ensure data integrity and compliance with reporting standards.

Target Date of Implementation: June 30, 2026

Recommendation 2

Internal Audit recommends that management review and enhance current processes to increase the probability of maintaining updated member address information.

Management Response:

Management agrees with the recommendation. While the REs are not responsible for maintaining member addresses with TRS, an IT request is currently in place to explore future enhancements to the address reporting process. This will need to be done after PBT go-live and stabilization.

In the interim, TRS continues to communicate with REs and members through newsletters, presentations, and other outreach mediums to encourage members to keep their address information current.

To further support this initiative, Pension Services is using direct phone outreach to active members with missing address data to provide instructions on how to update their information. Management will continue to evaluate and refine these efforts to increase member engagement and address accuracy.

Target Date of Implementation: March 31, 2027

We appreciate Pension Services management and key personnel for their cooperation, courtesy, and professionalism extended to us during this engagement. We also appreciate support provided by the reporting officials and staff at College Station Independent School District, Greenville Independent School District, Jim Hogg County Independent School District, NYOS Charter School, Richard Milburn Academy (RMA) - Killeen, San Angelo Independent School District, and Spring Independent School District shown to us during the engagement.

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This report is distributed to the following:

- Audit, Compliance and Ethics Committee, TRS Board of Trustees
- Brian Guthrie, TRS Executive Director
- Caasi Lamb, TRS Deputy Director
- Barbie Pearson, Chief Benefit Officer
- Jennifer Gasior, Deputy Chief Benefit Officer
- Mark Chi, Senior Director, Benefit Accounting
- Katie Tucker, Director, Benefit Accounting

APPENDIX A

Detailed Testing Results

CENSUS DATA TESTING ⁵		
TEST NAME	TEST DESCRIPTION	TEST RESULT
Personal Information Testing	Obtained evidence for required fields (name, social security number, date of birth, gender, and address) to verify accuracy of census data.	<ul style="list-style-type: none"> Three exceptions found out of 105 members tested for required fields, excluding addresses. <ul style="list-style-type: none"> For 1% (1 out of 105) RE reported an inaccurate date of birth. For 2% (2 out of 105) RE reported an inaccurate gender.
		<ul style="list-style-type: none"> For 39% (41 out of 105) of members tested, TRUST contained an inaccurate or missing address due to not receiving updates from members. <ul style="list-style-type: none"> For 25 members tested, TRUST had evidence of TRS mail returned as undeliverable.
	Obtained evidence for optional fields (home phone) to verify accuracy of census data.	<ul style="list-style-type: none"> For 15% (16 out of 105) of members tested, RE reported an inaccurate home phone number.
Employment Information Testing	Obtained evidence to assess the accuracy of employment reporting and the adequacy of supporting documentation.	<ul style="list-style-type: none"> For 18% (19 out of 105) of members tested, RE reported inaccurate employment info. <ul style="list-style-type: none"> For 9% (9 out of 105) RE reported an inaccurate date of hire. For 8% (8 out of 105) RE reported an inaccurate position code. For 9% (9 out of 105) RE reported inaccurate employment type.

⁵ Census Data testing comprised a sample of 15 TRS members per each RE. The same samples were used to test accuracy of personal and employment information.

ELIGIBILITY TESTING ⁶		
TEST NAME	TEST DESCRIPTION	TEST RESULT
Eligibility Sample 1 - Unreported Employees	<p>Obtained evidence (contracts, position description, and/or check history) to determine whether all payroll has been properly reported for employees.</p> <p>All reporting employer payrolls must be reported to TRS, regardless of the employee's eligibility status.</p>	<ul style="list-style-type: none"> For 81% (21 out of 26) of employees tested, the employees were incorrectly excluded from TRUST reporting. The absolute value of the gross compensation incorrectly excluded from reporting was \$37,429.51.
Eligibility Sample 2 - Employees Reported as Non-Members	Obtained evidence (time sheets, position descriptions, work agreement/contract) to determine if employees reported to TRS as ineligible were correctly reported.	<ul style="list-style-type: none"> For 50% (53 out of 105) of employees tested, the employees had an inaccurate employment type reported. For 40% (42 out of 105) of employees tested, the employees were incorrectly reported as ineligible, mainly due to incorrect substitute classification when eligibility requirements were met. The potential underreported gross compensation amount was \$720,954.75 which yields a potential underreported member pre-tax contribution amount of \$59,478.77.
Eligibility Sample 3 - Retiree on Regular Payroll Report	Verified the accuracy of the employee's retirement date and applicable surcharges using an analytic script.	<ul style="list-style-type: none"> No exceptions identified.

⁶ Eligibility testing included three distinct samples each determined separately based on risk factors relevant to the specific test.

Sample 1 relied on a data analytic script to identify if a testing population existed. Further testing was conducted beyond the preliminary exceptions identified by the script. One RE did not have any preliminary exceptions from the script thus no sample was generated. For 5 REs, the preliminary exceptions identified by the script were under 15 thus the full population was tested. For one RE, the preliminary exceptions exceeded 15 thus a sample of 15 was tested.

Sample 2 comprised a sample of 15 non-TRS eligible employees per RE. Selection was based on risk factors such as total days worked and TRS member status history.

Sample 3 relied on a data analytic script to identify if a testing population exists. The script identified no preliminary exceptions thus no samples were tested.

COMPENSATION TESTING ⁷		
TEST NAME	TEST DESCRIPTION	TEST RESULT
Individual Compensation	<p>Obtained a payroll breakdown to verify the accuracy of the sampled employees' eligible compensation.</p> <p>Certain types of compensation should not be reported as TRS eligible compensation.</p>	<ul style="list-style-type: none"> For 8% (8 out of 105) of members' reporting months tested, eligible compensation was potentially either overreported or underreported. This resulted in a potential \$1,550.64 absolute variance in member pre-tax contributions. For one RE, eligible salary could not be verified due to lack of supporting documentation. There is a potential \$199.24 overpayment of member pre-tax contributions. For 5% (5 out of 105) of members' reporting months tested, the gross salary was overreported due to inaccurate RE adjustments to their original RP submissions; however, there was no impact on eligible salary or member pre-tax contributions.
Total Gross Compensation (TGC)	<p>Obtained statements from the RE, including a payroll breakdown and reviewed TRUST transaction details to determine the cause of the discrepancy between TRUST dollars and RE payroll register dollars.</p> <p>Dollar amounts reported to TRUST should match the RE payroll register dollar amounts.</p>	<ul style="list-style-type: none"> There was an absolute variance of \$1,299,592.48 (0.22%) between TRUST TGC and RE payroll TGC. For 35% (29 out of 84) of reporting months tested, the RE payroll TGC varied from TRUST TGC beyond the agreed-upon procedures criteria of +/- 0.1%. For 85% (22 out of 26) of samples tested from exception reporting months, no valid reason was identified for the difference in TGC.

⁷ Compensation testing comprised of two distinct samples each determined separately based on risk factors relevant to the test.

Individual Compensation testing relied on a data analytic script to select samples based on risk factors such as one-time changes in gross compensation and large differences in an employee's reported gross and eligible compensation.

Total Gross Compensation (TGC) is the total compensation amount for all employees (members and non-members) on RE payroll. Not all gross compensation is eligible salary. Eligible salary is determined based on eligibility for TRS membership and creditable compensation rules. Testing relied on a data analytic script to identify if a testing population exists for each RE. A testable population was defined by agreed-upon procedures criteria as monthly total gross compensation differences equal to or greater than +/- 0.10 percent (0.10%) between the total gross compensation amount reported to TRUST and raw payroll data provided by the RE. Two REs did not have a testable population of exception months thus no investigative sample was generated.

TGC investigative samples were drawn from exception months to provide an understanding of potential causes for the discrepancies. Samples were selected based on employees with the largest variance in reported gross compensation. For five REs, the following sample sizes were drawn based on members exhibiting a large TGC discrepancy: 5, 5, 4, 5, 7.

APPENDIX B

Objective, Scope, and Methodology

We conducted this agreed-upon procedures engagement in accordance with generally accepted government auditing standards. Those standards require that we perform specific agreed-upon procedures on subject matter or an assertion and report the findings without providing an opinion or a conclusion on it. We performed the procedures agreed to by Pension Services. The sufficiency of the agreed-upon procedures performed is solely the responsibility of Pension Services management. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures included testing of data submitted to TRUST by Reporting Employers (RE). We were not engaged to and did not conduct an examination or a review of the Reporting Employers' data, the objective of which would be the expression of an opinion or a conclusion, respectively. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported. To conduct this engagement, we determined that we are also independent per the generally accepted government audit standards requirements for internal auditors.

This agreed-upon procedures engagement was also conducted in conformance with the *International Professional Practices Framework* issued by The Institute of Internal Auditors, Inc.

OBJECTIVE

The agreed-upon procedures engagement objective was to determine the accuracy of data reported to TRS for a sample of employees. The sub-objectives were as follows:

❖ Census Data Testing

- Personal Information
 - Validate the census data reported to TRUST against the Accurant⁸ database, including:
 - Social Security Number
 - First, Middle, and Last Names
 - Date of Birth
 - Gender
 - Permanent Address
 - Home Phone⁹
- Employment Information
 - Determine whether the employees' employment type was accurately reported to TRUST
 - Determine whether adequate documentation exists to support the employees' employment information (hire date, position code, and employment type)

⁸ Accurant is a third-party provider system used to verify members' identification data.

⁹ Home Phone is an optional, non-required field. Data was validated only when information was present.

❖ Eligibility Testing

- Unreported Employees – Sample 1
 - Determine whether there was a valid reason that an employee on the RE-provided payroll data was not reported to TRUST
- Employees Reported as Non-Members – Sample 2
 - Determine whether employees were accurately reported as non-members
- EAR Employees Incorrectly Reported as RP instead of EAR – Sample 3
 - Determine whether retirees were inaccurately reported on Regular Payroll reports instead of the appropriate EAR report

❖ Compensation Testing

- Individual Compensation Testing
 - Determine the cause for any differences identified in an employee's monthly total eligible compensation
- Total Gross Compensation
 - Determine the cause for monthly differences equal to or greater than +/- 0.10 percent (0.10%) of the amount reported to TRUST for total gross compensation

SCOPE

The scope of the agreed-upon procedures engagement includes employer reporting to TRS in the areas of census, eligibility, compensation, and contributions during Fiscal Year 2024 (September 1, 2023, to August 31, 2024). Fieldwork testing was performed during March – July 2025.

METHODOLOGY

The methodology included obtaining information on management's expectations and risks. To meet the objectives, the following procedures were specifically performed:

- Reviewed TRS Reporting Employers resources: Report Formatting Guide, RE Payroll Manual, Membership Eligibility, and Creditable Compensation
- Reviewed TRUST and supporting documents from the reporting employers
- Communicated with the Reporting Employers' reporting officials and other staff
- Selected samples and performed tests as deemed appropriate

SAMPLE METHODOLOGY

Auditors selected nonstatistical samples, primarily through risk-based selection, for testing related to census data, eligibility for TRS membership, and compensation. Recommendations are limited to the exceptions derived from the sample and cannot be projected to the population.

APPENDIX C

Business Objectives, Risks, and Management Assertions

For the agreed-upon procedures engagement of Reporting Employer Testing we obtained information about the following business objective, as well as the related risks and the management assertions:

Business Objective	Receive complete and accurate data from Reporting Employers (REs) regarding census ¹⁰ , eligibility, and compensation of members		
	Census	Eligibility	Compensation
Business Risks	<ul style="list-style-type: none"> • Inaccurate actuarial estimations • Unsuccessful member verification • Inaccurate service credit 	<ul style="list-style-type: none"> • Inaccurate eligibility determination • Inaccurate service credit • Inaccurate eligible salary • Over/underpayment of member pre-tax contributions • Under-reported surcharges 	
Management Assertions	<ul style="list-style-type: none"> • REs are knowledgeable of TRS Laws and Rules • REs provide accurate census, eligibility, and compensation data to TRS 		
Agreed-Upon Procedures (AUP)	<ul style="list-style-type: none"> • Utilize data analytics to identify anomalies in employer reporting for seven REs 		
	<ul style="list-style-type: none"> • Census data (personal and employment information) accuracy 	<ul style="list-style-type: none"> • RE's full payroll reported • Ineligibility accuracy • Non-retiree Regular Payroll reports do not contain retirees 	<ul style="list-style-type: none"> • Individual eligible compensation accuracy • Total Gross Compensation (TGC) accuracy

¹⁰ Census Data includes both personal and employment information.