

# EMPLOYER TESTING AGREED-UPON PROCEDURES

TRS Internal Audit Department

November 16, 2018

## Business Objectives

Receive the complete and accurate reports from the Reporting Entity Partners (REPs) related to eligibility, compensation, and employee demographics

## Business Risks

- Improper determination of TRS membership eligibility
- Inaccurate census data provided to TRS results in erroneous actuarial data
- Inaccurate compensation reported to TRS

## Management Assertions

- REPs are knowledgeable of *TRS Laws and Rules*
- REPs provide accurate census data and compensation to TRS

## Agreed-upon Procedures

*Test month – May 2018*  
Two REPs  
Determine eligibility for TRS membership, per *TRS Laws and Rules*  
Validate Census Data  
Validate all gross compensation was reported to TRS  
Recalculate creditable compensation

## Test Results

Eligibility – seventy five percent (30 out of 40) of the employees tested were determined to be eligible or potentially eligible for TRS membership, resulting in potential underpayment of contributions of over \$9,800 for the month of May 2018

Gross compensation – underreported to TRS

Creditable compensation – no exceptions

Census Data – two employees did not have supporting documents in the personnel file

## Management Responses

Reporting Entity coaches will research the test results and contact the district with instructions to make any necessary corrections. Benefit Accounting will communicate the instructions to REPs no later than April 30, 2019

Legend of Results: **Red** - Significant to TRS  
**Yellow** - Other Reportable Exception

**Orange** - Significant to Business Objectives  
**Green** - Positive Test Result/No Exception

November 16, 2018

Barbie Pearson, Chief Benefit Officer

**Subject: Independent Auditor's Report on Employer Testing Agreed-Upon Procedures**

We have completed the first phase of the **Employer Testing** Agreed-Upon Procedures, as included in the *Fiscal Year 2019 Audit Plan*.

We performed the procedures agreed to by you. These procedures include testing of data submitted to TRS for the test month of May 2018 by two Reporting Entity Partners<sup>1</sup> (REPs), Aldine Independent School District and Houston Independent School District. Tests performed related to the following areas:

1. Eligibility for TRS membership
2. Census Data
3. Compensation

The detailed procedures and results are described in **Appendix A**.

This agreed-upon procedures engagement was performed in accordance with generally accepted government auditing standards contained in the *Government Auditing Standards* issued by the Comptroller General of the United States.

The sufficiency of the agreed-upon procedures performed is solely the responsibility of those parties specified in this report. 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.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion. 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 you. This report is intended solely for information and use by TRS management, the Board of Trustees, and oversight agencies, and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited, except as protected by statute.

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<sup>1</sup> "Reporting Entity Partner" is the "Employer" for the purposes of this test

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We express our appreciation to management and key personnel of Benefit Services and to the reporting officials at Aldine ISD and Houston ISD for their cooperation and professionalism shown to us during the testing.

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Chief Audit Executive

Kate Rhoden, CIA, CPA  
Director of Benefit Audit Services

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Senior Benefit Audit Consultant

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## APPENDIX A

### AGREED-UPON PROCEDURES AND RESULTS

TEST #	TEST PURPOSE	TEST DESCRIPTION	TEST RESULT
1	<i>Eligibility</i> - obtain evidence that eligible employees are correctly reported to TRS, and employees not eligible for TRS membership are not reported	Obtain TRS eligibility evidence for a sample of (i) employees reported as eligible by the REPs and (ii) employees reported as ineligible by the REPs	(i) Employees reported as eligible – no exceptions (ii) Non-member employees reported as ineligible by the REPs:  Seventy-five percent (30 out of 40) of non-member employees tested were found to be eligible or potentially eligible for TRS membership. The 13 non-member employees found to be eligible resulted in potential underpayments of contributions of over \$9,800 for the month of May 2018.
2	<i>Census data</i> - obtain evidence that census data for TRS eligible employees working at (REPs) is correct	Agree census data (name, social security number, date of birth, gender, date of hire, years of service, job classification) provided by the REPs	Five percent (2 out of 40) of employees tested did not have documents in their personnel files supporting census information
3	<i>Compensation</i> - obtain evidence that REPs are reporting the correct compensation amounts to TRS	Obtain REPs payroll registers and compare to what was reported as compensation to TRS	The two REPs tested underreported gross compensation by 0.4% and 1.3% due to various allowances, incentives, and deletion of employees from TRS reports. No exceptions were noted in creditable compensation.

Management response: Reporting Entity coaches will research the test results and contact the district with instructions to make any necessary corrections. Benefit Accounting will communicate the instructions to REPs no later than April 30, 2019.