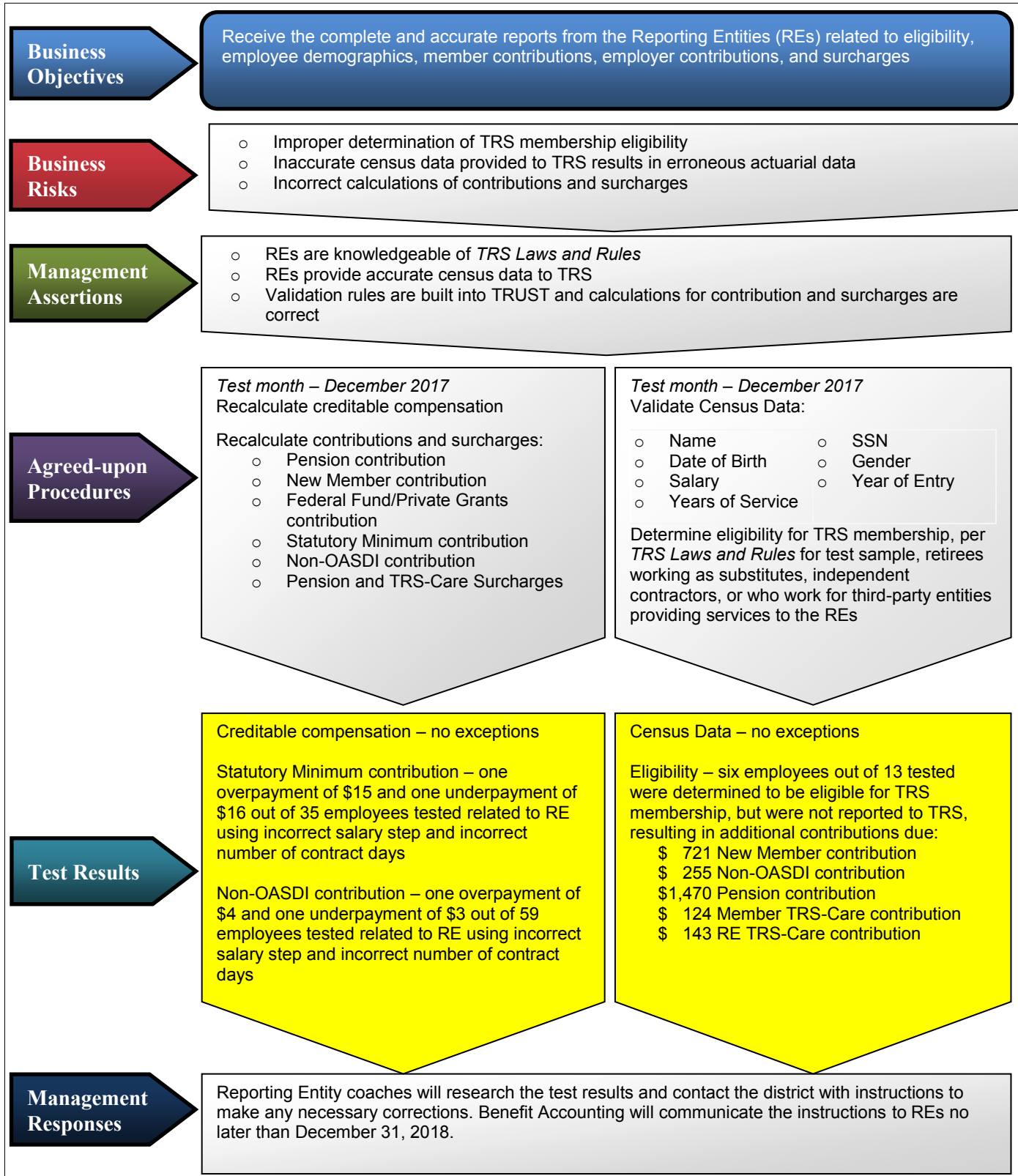


EMPLOYER TESTING OF ELIGIBILITY, CONTRIBUTIONS AND SURCHARGES (ALVIN ISD AND SHARYLAND ISD)

TRS Internal Audit Department
August 28, 2018



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

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

August 28, 2018
Project #18-102

August 28, 2018

Barbie Pearson, Chief Benefit Officer

Subject: Independent Employer Agreed-Upon Procedures Test Program

We have completed the project, **Employer Agreed-Upon Procedures Test Program**, as included in the *Fiscal Year 2018 Audit Plan*.

We performed the procedures agreed to by you. These procedures include testing of data submitted to TRS for the test month of December 2017 by two Reporting Entity Partners¹ (REPs), Alvin Independent School District and Sharyland Independent School District. Tests performed related to the following areas:

1. Census Data
2. Compensation
3. New Member contribution
4. Federal Funds/Private Grant contribution
5. Statutory Minimum contribution
6. Non-OASDI² contribution
7. Substitutes
8. Pension and TRS-Care surcharges
9. Third-Party Entities and Independent Contractors
10. Eligibility for TRS membership
11. Pension and TRS-Care contributions
12. Federal TRS-Care contribution

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.

¹ "Reporting Entity Partner" is the "Employer" for the purposes of this test

² The Old Age, Survivors, and Disability Insurance program (Social Security)

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.

* * * * *

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

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Chief Audit Executive

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Senior Benefit Audit Consultant

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Director of Benefit Audit Services

Kate Rhoden, CIA, CPA
Investment Audit Manager

APPENDIX A

AGREED-UPON PROCEDURES AND RESULTS

TEST #	TEST PURPOSE	TEST DESCRIPTION	TEST RESULT*
1	<i>Census data</i> - obtain evidence that census data for TRS eligible employees working at reporting entity partners (REPs) is correct	Agree census data (name, social security number, date of birth, gender, date of hire, years of service, compensation, job classification) provided by the REP to TRS	Alvin ISD - one employee out of 30 tested had position reported incorrectly Sharyland ISD - No exceptions
2	<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	No exceptions
3	<i>New Member contribution</i> - obtain evidence that REPs are reporting the correct amounts for the required state contribution for new TRS members during the first 90 days of employment	Calculate the new member contribution for new members and agree it to TRS records and the supporting documentation	Alvin ISD - N/A. There were no new members in the sample of 30. Sharyland ISD - No exceptions
4	<i>Federal Funds/Private Grant contribution</i> – obtain evidence that REPs are reporting the correct amounts of compensation paid from federal funds and private grants to TRS-eligible employees	Identify employees paid with federal funds or private grant money. Recalculate the compensation and contributions.	No exceptions
5	<i>Statutory Minimum contribution</i> – obtain evidence that REPs are reporting the correct amount for the state contribution for employees subject to the statutory minimum	Identify employees subject to the statutory minimum and calculate the contribution based on the state formula	Alvin ISD - one overpayment of \$15 and one underpayment of \$16 out of 22 employees tested Sharyland ISD - No exceptions

* Management response is presented at the end of the table

TEST #	TEST PURPOSE	TEST DESCRIPTION	TEST RESULT*
6	<i>Non-OASDI contribution</i> – obtain evidence that REPs are reporting the correct amount for employees that do not contribute to Social Security	Identify employees subject to Non-OASDI and calculate the contribution	Alvin ISD - one overpayment of \$4 and one underpayment of \$3 out of 30 employees tested Sharyland ISD - No exceptions
7	<i>Substitutes</i> - obtain evidence that TRS retirees working as substitutes are reported correctly to TRS	Agree that TRS retirees, retired after September 1, 2005, reported as substitutes, worked in the place of an absent employee. If the position was vacant, agree that total days worked in the same vacant position do not exceed 20 days in the year.	Alvin ISD – reported working hours in TRUST for 39 substitutes. However, REP represented to Internal Audit that ten of the 39 retirees did not work in the test month. Sharyland ISD - one employee out of 34 tested was improperly reported as a substitute in the test month. One additional employee was improperly reported as a substitute for January, February, April, and May 2018.
8	<i>Pension and TRS-Care surcharges</i> – obtain evidence that TRS retirees performing services for the REPs were correctly reported and if applicable pension and TRS-Care surcharges were remitted	Identify TRS retirees, retired after September 1, 2005, and working more than one-half time in the calendar month. Calculate the pension and TRS-Care surcharges due for the identified retirees.	No exceptions
9	<i>Third-Party Entities and Independent Contractors</i> – obtain evidence that TRS retirees employed by a third-party entity providing services to the REP or as independent contractors are reported correctly to TRS	Search REP check register for third-party entities. For independent contractors, match Social Security Numbers from REP 1099-MISC file to TRS retirement records.	No exceptions

* Management response is presented at the end of the table

TEST #	TEST PURPOSE	TEST DESCRIPTION	TEST RESULT*
10	<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	<p>(i) All employees originally reported as eligible were properly reported by both REPs (ii) Non-member employees reported as ineligible by the REP:</p> <p>Alvin ISD - four non-member employees out of six tested were found to be eligible</p> <p>Sharyland ISD - two non-member employees out of seven tested were found to be eligible</p> <p>These non-member employees resulted in two incorrectly reported employee positions; underpayments of new member contributions of \$721; underpayments of Non-OASDI contributions of \$255; and in one instance, we were unable to conclude the statutory minimum and non-OASDI contributions due.</p>

* Management response is presented at the end of the table

TEST #	TEST PURPOSE	TEST DESCRIPTION	TEST RESULT
11	<i>Pension and TRS-Care contributions</i> – obtain evidence that the amount of (1) member and employer contributions, (2) member TRS-Care contributions, and (3) REP TRS-Care contributions are properly calculated and paid	Calculate the amount of member pension, member TRS-Care, and REP TRS-Care contribution for each TRS eligible employee	<p>Alvin ISD - four non-member employees out of six tested were found to be eligible, resulting in underpayments of TRS member contributions of \$1,151; member TRS-Care contributions of \$97; and REP TRS-Care contributions of \$112; for a total \$1,360 underpayment.</p> <p>Sharyland ISD - two non-member employees out of seven tested were found to be eligible, resulting in underpayments of TRS member contributions of \$319, member TRS-Care contributions of \$27, and REP TRS-Care contributions of \$31, for a total \$377 underpayment</p>
12	<i>Federal TRS-Care contributions</i> – Obtain evidence that the amount of REP TRS-Care contributions (due from Federal funds or private grants) are properly calculated and paid	Calculate the amount of TRS-Care contribution due from Federal funds or private grants for TRS-eligible employees	No exceptions

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 REs no later than December 31, 2018.