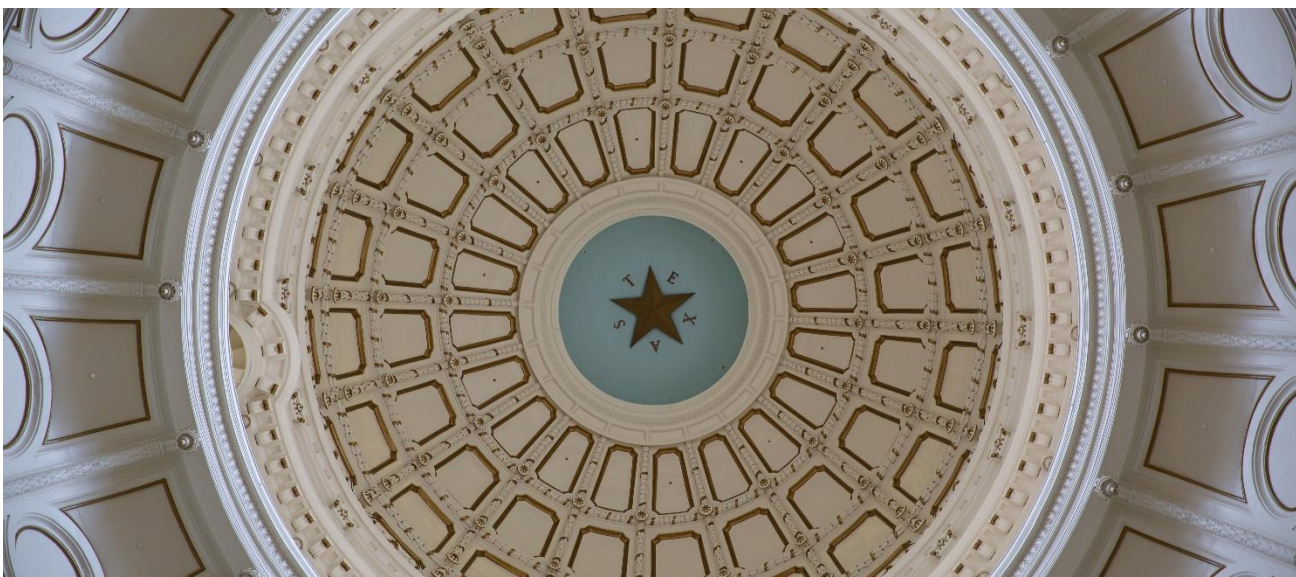




Internal Audit Employer Testing Agreed-Upon Procedures



Andrea Morales, Mark Chi,
Barbie Pearson

September 19, 2019



SCOPE OF TESTING

5

Test Areas



- Census Data
- Total Gross Compensation
- Retiree Substitutes
- Surcharges
- Eligibility

March 2019
May 2018

3

Reporting Entity Partners
(REPs)



- Austin ISD
- Donna ISD
- Longview ISD

Census Data

- Accuracy of Key Census Data Elements:
- Required Testing (GASB)
- TRS Members After 9/1/17

Exception Rate



Census Data
(n=90)

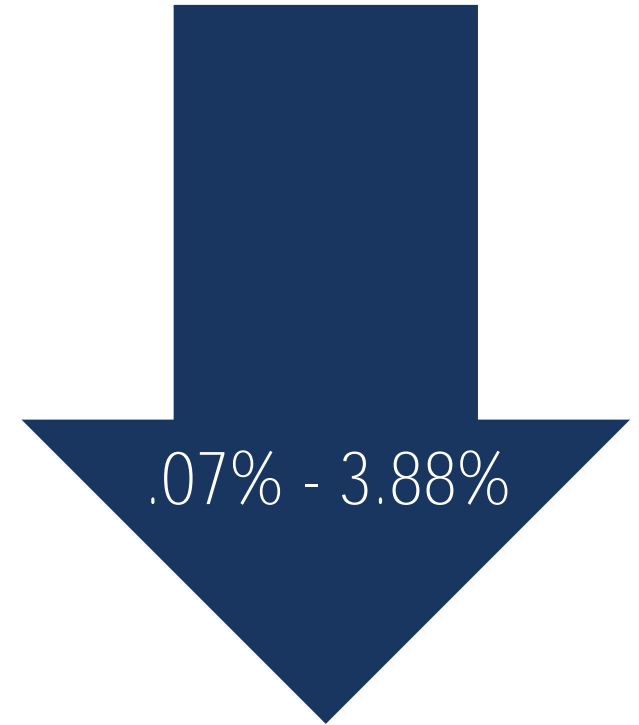
RESULTS

Gross Compensation

- Is the full payroll reported to TRS?
- **REP's Payroll Register vs Reports Submitted to TRS**

3.88% Variance:

- Additional Testing Performed – 6 Month Period
- Payroll Underreported by \approx \$2 Million Monthly
- Substitutes Not Reported



Underreported

Retiree Substitutes

- Are TRS retirees correctly reported as substitutes?
- TRS Definition of a Retiree “Substitute”

2 Retirees - Unable to Conclude

Exception Rate



Retiree
Substitutes
(n=27)

Surcharges

- Surcharges owed for Employment after Retirement?
- TRS Retirees
- Substitutes and Half-Time Employees

\$4,930 Underpayments in Surcharges

- \$2,790 Pension
- \$2,140 TRS-Care

Exception Rate



Surcharges
(n=84)

Eligibility

- Were employees reported as Ineligible actually Eligible?
- Non-retiree Employees
- Substitutes and Part-Time

\$3,666 in Underpayments of Member Contributions for the Month

Exception Rate



Eligibility
(n=49)

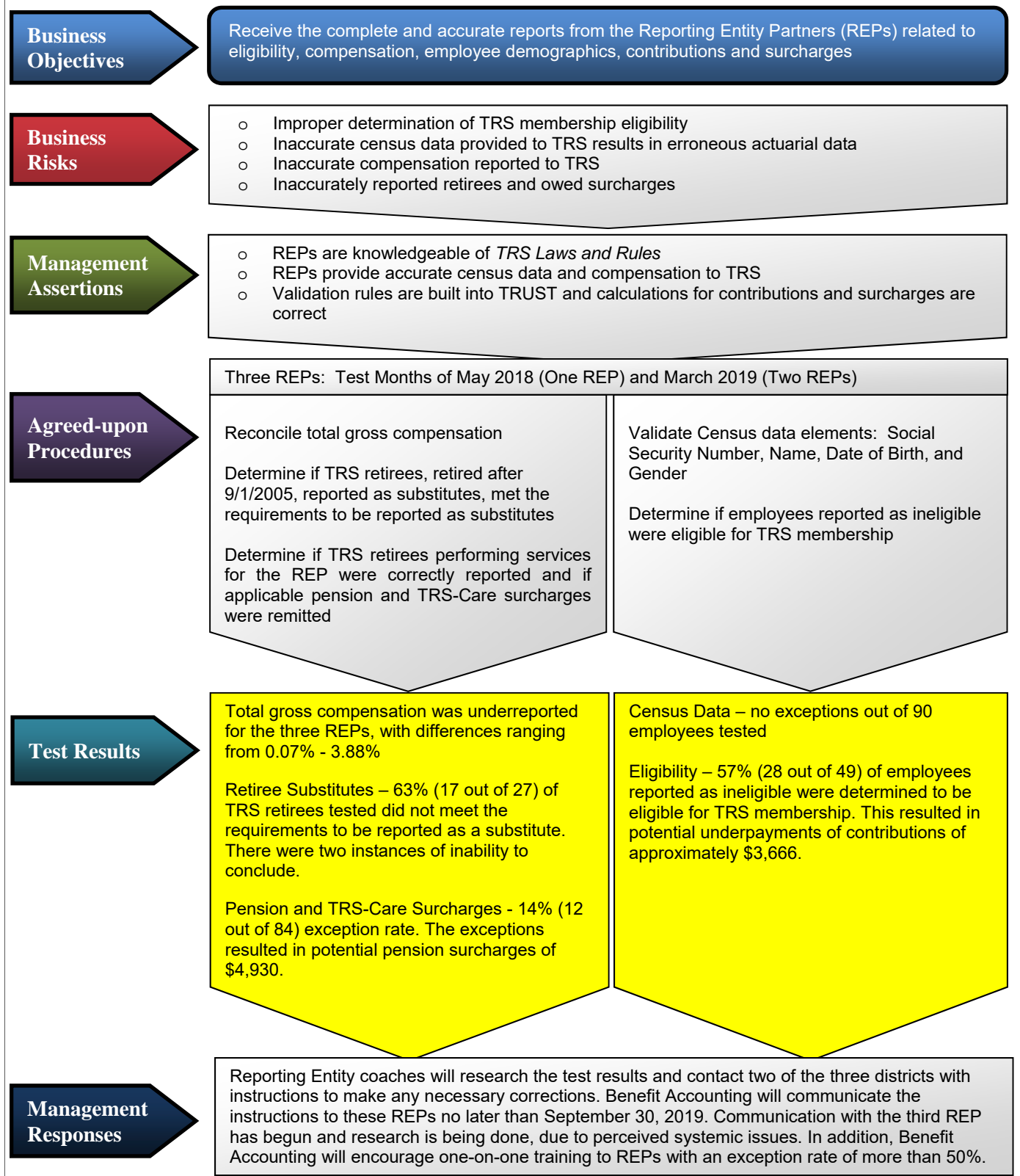
Reporting Entity coaches will research the test results and contact two of the three districts with instructions to make any necessary corrections. Benefit Accounting will communicate the instructions to these REPs no later than September 30, 2019.

Communication with the third REP has begun and research is being done, due to perceived systemic issues. In addition, Benefit Accounting will encourage one-on-one training to REPs with an exception rate of more than 50%.

EMPLOYER TESTING AGREED-UPON PROCEDURES

TRS Internal Audit Department

August 21, 2019



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

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

August 21, 2019

Barbie Pearson, Chief Benefit Officer

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

We have completed the fourth 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 by three Reporting Entity Partners¹ (REPs): Austin Independent School District, Donna Independent School District, and Longview Independent School District. For Austin ISD, we tested data for the month of May 2018. For the other two REPs, we tested data for the month of March 2019. Our tests related to the following areas:

1. Census Data
2. Compensation
3. Substitutes
4. Pension and TRS-Care Surcharges
5. Eligibility for TRS Membership

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 Benefit 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.

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.

¹ "Reporting Entity Partner" is the "Employer" for purposes of these procedures

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We express our appreciation to management and key personnel of Benefit Accounting and to the reporting officials and staff at Austin Independent School District, Donna Independent School District, and Longview Independent School District for the cooperation and professionalism shown to us during the testing.

Amanda Jenami, CIA, CISA, CPA, CFE
Chief Audit Executive

Andrea Morales, CIA, CFE
Benefit Audit Manager

Kate Rhoden, CPA, CIA
Director of Benefit Audit Services

Art Mata, CEBS, CPM
Senior Benefit Audit Consultant

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 REPs is correct	Determine if census data (name, social security number, date of birth, and gender) provided by the REPs are correct	No exceptions were found (out of 90 employees tested).
2	<i>Compensation</i> - obtain evidence that REPs are reporting the correct compensation amounts to TRS	Reconcile the gross compensation for the relevant test month in the REP's Payroll Register to the total gross compensation reported to TRS in the Regular Payroll (RP) and Employment after Retirement (ER) reports in TRUST.	Total gross compensation was underreported for each of the three REPs, with differences ranging from 0.07% - 3.88%. For the REP that underreported employees by 3.88%, the audit team identified all the unreported employees for the period of September 2018 through February 2019, and noted that on average, 87% of unreported employees were substitutes.
3	<i>Substitutes</i> - obtain evidence that TRS retirees working as substitutes are reported correctly to TRS	Verify that TRS retirees, retired after September 1, 2005, reported as substitutes, worked in the place of an absent employee. If the position was vacant, verify that total days worked in the same vacant position do not exceed 20 days in the year.	Sixty-three percent (17 out of 27) of tested TRS retirees did not meet the requirements to be reported as a substitute. In addition, we found two instances where we did not have enough information to conclude either way.
4	<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.	Fourteen percent (12 out of 84) exception rate, resulting in potential understatement of \$2,790 and \$2,140 in pension and TRS-Care surcharges, respectively.

Note: Management response is presented at the end of the table.

TEST #	TEST PURPOSE	TEST DESCRIPTION	TEST RESULT
5	<i>Eligibility for TRS membership</i> - obtain evidence to determine if employees reported to TRS as ineligible are correctly reported.	For a sample of employees reported as ineligible by the REPs, determine if the employees were eligible.	Fifty-seven percent (28 out of 49) of tested employees reported as ineligible were determined to eligible, resulting in potential underpayment of contributions of approximately \$3,666.

Management response: Reporting Entity coaches will research the test results and contact two of the three districts with instructions to make any necessary corrections. Benefit Accounting will communicate the instructions to these REPs no later than September 30, 2019. Communication with the third REP has begun and research is being done, due to perceived systemic issues. In addition, Benefit Accounting will encourage one-on-one training to REPs with an exception rate of more than 50%.