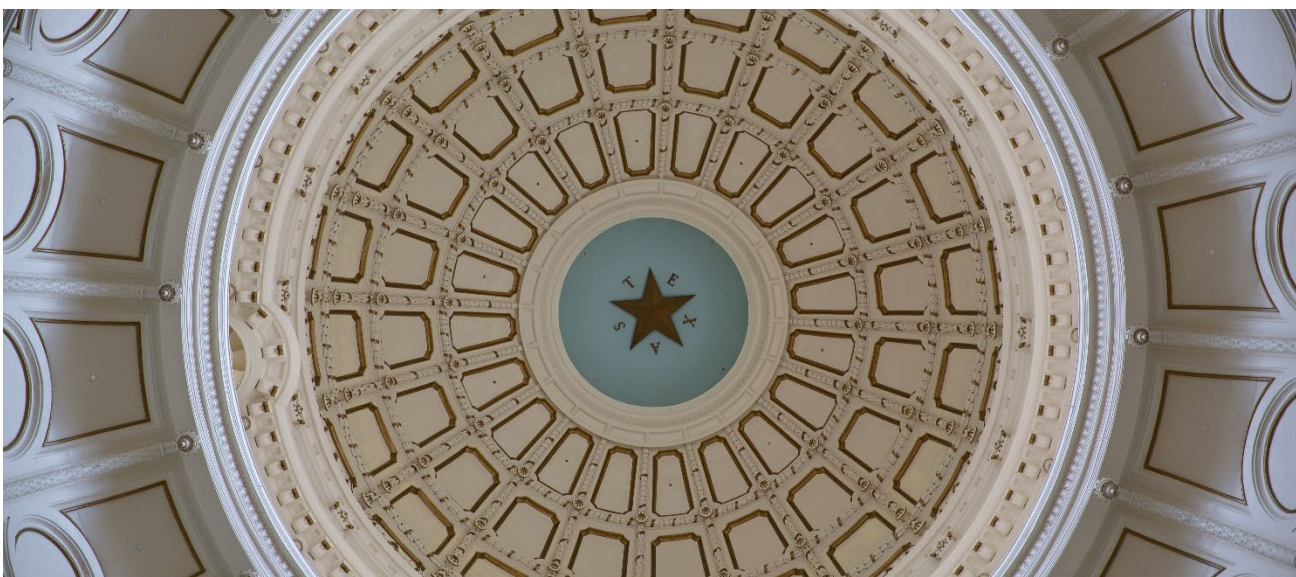




Internal Audit

Employer Testing Agreed-Upon Procedures



Amanda Jenami and Mark Chi

December 8, 2022



SCOPE OF TESTING

3

Test Areas



- Census Data
- Gross Compensation
- Eligibility

FY2021

Test Period

5

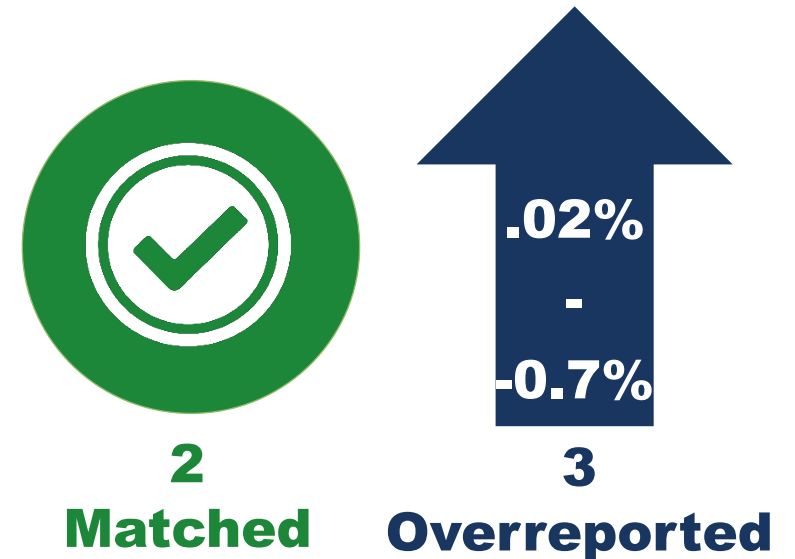
Reporting Employers
(REs)



- Edinburgh CISD
- Klein ISD
- Richardson ISD
- Round Rock ISD
- Ysleta ISD

Gross Compensation

- Is the full payroll reported to TRS?
- RE's Payroll Register (original payroll record) vs Reports Submitted to TRS



Eligibility

- Were employees reported as Ineligible actually Eligible?
- Risk-based, Targeted Sampling
- Non-retiree Employees
- Definition of a “Substitute”

Exception Rate



Eligibility
(n=75)

\$34,810 in Underpayments
of Member Contributions

MANAGEMENT RESPONSE

Reporting Employer coaches will research the test results and contact the districts with instructions to make any necessary corrections. Benefit Accounting will communicate the instructions to REs no later than December 31, 2022.



Reporting Employer Testing



Teacher Retirement System of Texas Internal Audit Department

Business Objective	Receive complete and accurate data from Reporting Employers (RE) regarding compensation and eligibility of members
Business Risks	<ul style="list-style-type: none"> Inaccurate or incomplete total gross compensation is reported to TRS Inaccurate or incomplete contributions for eligible members are paid to TRS
Management Assertions	<ul style="list-style-type: none"> REs are knowledgeable of <i>TRS Laws and Rules</i> REs provide accurate census data and compensation to TRS
Agreed-Upon Procedures	<p>For five REs, test accuracy of submitted data for the period September 2020 through August 2021</p> <ul style="list-style-type: none"> Reconcile total gross compensation per RE payroll system to the total gross compensation reported to TRS Determine if census data provided by the RE is accurate, including: <ul style="list-style-type: none"> Member's name, SSN, DOB, and gender Member's date of hire Determine if employees reported as ineligible were correctly reported to TRS
Test Results	<ul style="list-style-type: none"> Total gross compensation – no differences equal to or greater than +/- 10 % were identified Census data <ul style="list-style-type: none"> no exception out of 75 employees tested 3% (2 out of 75) reported employee hire dates could not be substantiated 1% (1 out of 75) reported employee hire dates were inaccurate 41% (31 out of 75) exception rate, resulting in potential underpayments of member contributions of approximately \$34,810
Management Responses	Management response: Reporting Employer coaches will research the test results and contact the districts with instructions to make any necessary corrections. Benefit Accounting will communicate the instructions to REs no later than December 31, 2022.

November 8, 2022

Barbie Pearson, Chief Benefit Officer

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

We have completed the third phase of the **Employer Testing Agreed-Upon Procedures**, as included in the *Fiscal Year 2022 Audit Plan*.

We performed the procedures agreed to by you. These procedures included testing of data submitted to TRS by five Reporting Employers¹ (REs): Edinburgh Consolidated Independent School District, Klein Independent School District, Richardson Independent School District, Round Rock Independent School District, and Ysleta Independent School District for the September 2020 to August 2021. Tests performed related to the following areas:

1. Census Data
2. Compensation
3. 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 Employer" is the "Employer" for purposes of this test.

We express our appreciation to management and key personnel of Benefit Services and to the reporting officials and staff at Edinburgh Independent School District, Klein Independent School District, Richardson Independent School District, Round Rock Independent School District and Ysleta Independent School District for their cooperation and professionalism shown to us during the testing.

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

Mary Presley, CISA
Senior Business Intelligence Analyst

Falguni Sampat
Internal Auditor

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 REs is correct	Determine if census data (name, social security number, date of birth, and gender) provided by the REs are correct	No exceptions out of 75 employees tested.
2	<i>Census data</i> – obtain evidence that census data for TRS eligible employees working at REs is correct	Determine if member date of hire provided by the RE is accurate	For 1% (1 out of 75) employees tested, RE reported an inaccurate hire date. For 3% (2 out of 75) of the employees tested, the reported hire date could not be substantiated.
3	<i>Compensation</i> - obtain evidence that REs are reporting the correct compensation amounts to TRS	Reconcile the gross compensation for the test month in the RE's Payroll Register to the total gross compensation reported to TRS in the Regular Payroll (RP) and Employment after Retirement (ER) reports in TRUST	No differences equal to or greater than +/- 10 % were identified.
4	<i>Eligibility for TRS membership</i> - obtain evidence to determine if employees reported to TRS as ineligible are correctly reported as ineligible	For a sample of employees reported as ineligible by the REs, determine if the employees were eligible	41% (31 out of 75) exception rate, resulting in potential underpayments of member contributions of approximately \$34,810

Management response: Reporting Employer coaches will research the test results and contact the districts with instructions to make any necessary corrections. Benefit Accounting will communicate the instructions to REs no later than December 31, 2022.