

# Teacher Retirement System of Texas

**Employer Self-Audit Program for Independent School Districts, Open-Enrollment Charter Schools, Institutions of Higher Education, and Education Service Centers**

**January 2018**



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## Table of Contents

INTRODUCTION .....	2
SELF-AUDIT OBJECTIVES.....	3
SCOPE .....	3
SELF-AUDIT PROGRAM .....	4
A. PLANNING.....	4
Planning and Scoping .....	4
B. FIELDWORK (POPULATION VALIDATION AND SAMPLE SELECTION).....	5
Obtain and Validate Population Data and Select Samples .....	5
C.FIELDWORK (TEST SAMPLES) .....	9
Conduct Testing.....	9
D. REPORTING .....	17
Reporting and Concluding the Audit.....	17
REFERENCES, TOOLS, TEMPLATES.....	19

## INTRODUCTION

The purpose of this Self-Audit Program is to provide test procedures and information necessary for internal auditors to confirm the completeness and accuracy of the information reported to the Teacher Retirement System of Texas (TRS). This Program is intended to be used by internal auditors of Texas Independent School Districts, Open-Enrollment Charter Schools, Institutions of Higher Education, and Education Service Centers.

The completion of a self-audit is completely voluntary and the results are not required to be reported to TRS. Exceptions identified during the completion of this program should be reported to your TRS Reporting Entity Coach for further guidance. Although TRS does not require that you report the results to TRS Internal Audit, you may wish to include the TRS Internal Audit Department in the distribution of the final report. TRS Internal Audit may consider the work performed by employer internal audit departments when developing its Annual Risk Assessment. Proactive and thorough employer internal audit work in this area may reduce the assessed risk level for the reporting entity when determining which entities to select for annual testing.

This program may be conducted under audit or agreed-upon-procedures standards. These procedures are limited substantive tests of the completeness and accuracy of reports submitted to TRS. These tests do not include all of the procedures that would be necessary to conduct an audit of these reports (e.g. testing of controls over processes or related information systems). To conduct an audit of the completeness and accuracy of the information, contributions and surcharges submitted to TRS, internal auditors will need to consider additional procedures, as necessary, to determine if management controls are operating effectively.

Throughout this document, the terms *reporting entity*, *RE* and *employer* are used interchangeably.

Please note that this manual has been written as a reference guide for the auditor. Any references to administrative policies and *TRS Laws & Rules* are subject to change due to administrative hearings, rule changes by the TRS Board of Trustees and actions of the Texas Legislature. While the content of the manual is current as of the revision date, the reader is responsible for any changes occurring after this date and should verify the current status of any information by contacting TRS at [employeraudits@trs.texas.gov](mailto:employeraudits@trs.texas.gov)

## SELF-AUDIT OBJECTIVES

The objectives for the self-audit are to determine the:

1. Completeness and accuracy of reports (including Employee Demographic, Regular Payroll, and Employment After Retirement reports) submitted to TRS by the reporting entity
2. Accuracy of census data information (name, social security number, date of birth, gender, compensation, year of entry, years of service)

## SCOPE

Determine the scope of the audit, i.e., which months to test, number of employees in your sample, etc.

Using payroll data for the test month(s), select:

- Sample of employees from TRS Regular Payroll Report
- All TRS retirees that worked
- All TRS retirees that worked for the RE through third-party entities (i.e. third-party staffing firms)
- All independent contract workers paid for services performed
- Five employees (non-TRS retirees) who were paid but were not reported to TRS in the TRS Regular Payroll Report (if applicable)



## SELF-AUDIT PROGRAM

### A. PLANNING

This section is designed to provide guidance for:

- Initiating the self-audit
- Gaining an understanding of processes and TRS reporting requirements

Planning and Scoping	
Step	Procedures
A.1. Contact Head of Institution	Contact the Reporting Entity's (RE) Head of Institution (or designee) and the TRS Reporting Official to inform them of the upcoming self-audit.
A.2. Issue Engagement Letter and Document Request	Email the <i>Engagement Letter</i> and the <i>Request for Records</i> . See Appendices E & F.
A.3. Meet with Head of Institution and/or TRS Reporting Official	Meet with the Head of Institution and/or TRS Reporting Official to discuss the <i>Engagement Letter</i> and <i>Request for Records</i> and to review the objective, scope and timeline. During the meeting, establish a time frame to interview and work with appropriate staff.
A.4. Gain an Understanding of Processes and Procedures	<p>Meet with appropriate staff and gain an understanding of processes and procedures. Items to consider include:</p> <ol style="list-style-type: none"><li>1. Interview Head of Institution and Reporting Official/Business Office Manager.</li><li>2. Obtain entity's policies and procedures for reporting eligibility to TRS. Compare to <i>TRS Laws &amp; Rules</i> and identify discrepancies.</li><li>3. Obtain an understanding of the process for determining how TRS eligibility is determined and reported to TRS.</li><li>4. Obtain an understanding of the process for submitting payroll and the types of records available to support payroll.</li><li>5. Obtain an understanding of the process for calculating and reporting member contributions to TRS and the documentation that supports these calculations.</li><li>6. Inquire about employees whose salaries are paid with Federal Funds/Private Grants and the process for allocation of funds. Obtain an understanding of how those contributions are determined and reported to TRS. Inquire about the types of employees and contracts in place for each.</li><li>7. Confirm that RE Portal contact information is current. Coordinate with your entity's designated TRS Web Administrator for any necessary updates.</li><li>8. Obtain an understanding of how compliance with laws and rules related to the Employment After Retirement report are considered, followed and documented.</li></ol>

## B. FIELDWORK (POPULATION VALIDATION AND SAMPLE SELECTION)

This section is designed to provide guidance for:

- Obtaining and validating population data
- Selecting sample(s) of employees to be tested

Obtain and Validate Population Data and Select Samples	
Step	Procedures
B.1. Obtain and Validate Population Data	<ol style="list-style-type: none"><li>1. Obtain Population Data<ol style="list-style-type: none"><li>a. Obtain Employee Demographic, Regular Payroll, and Employment After Retirement Report data for the test month(s).</li></ol></li><li>2. Population Validation<ol style="list-style-type: none"><li>a. Obtain a copy of the payroll register(s) (in Excel) for the test month(s).</li><li>b. Reconcile the total salary amounts in the payroll register to the salaries reported to TRS in the Regular Payroll Report (includes TRS-eligible members and non-eligible employees) and the Employment After Retirement Report.  <b>Note:</b> For the Employment After Retirement Report, consider that retirees may work during the test month(s) and should be reported, however, these retirees may not receive any compensation during the month(s) because pay may be received in a subsequent month. For retirees who are reported with no salary, confirm that pay was received in a subsequent month, or that the retiree was a volunteer.</li></ol></li><li>c. Document Errors<ul style="list-style-type: none"><li>• Errors may include ineligible earnings included in the Regular Payroll Report such as non-allowable contributions (e.g. cell phone, car, housing allowances or relocation cost, health care). Errors may also include ineligible earnings improperly included in the Employment After Retirement Reports (e.g. school supply allowances).</li><li>• Errors may also include individuals who are on the payroll register but were not included in the Regular Payroll or Employment After Retirement Reports. (<b>Note:</b> All employees, regardless of TRS eligibility, should be reported.)</li></ul></li></ol>
B.2. Obtain Independent Contractor Data	<ol style="list-style-type: none"><li>1. Obtain a copy of the latest IRS 1099-MISC file that includes the test month(s). If test month(s) is in current calendar year, request data to be used to produce current year-end IRS 1099 MISC file.</li><li>2. Identify TRS active members and TRS retired members through the social security numbers used as tax IDs in the IRS 1099-MISC file.</li></ol>

	<ol style="list-style-type: none"><li>3. Non-Members – For independent contractors that are not identified as TRS active contributing members and who are not retired members, judgmentally select five individuals (who have tax ID numbers that are social security numbers) to include in the Regular Payroll Report test sample.</li><li>4. Retired Members – For independent contractors who are identified as retirees who retired after Sept. 1, 2017 and are within 12 months of their effective retirement date, judgmentally select individuals (that have tax ID numbers that are social security numbers) to include in the Employment After Retirement Report test sample.</li></ol>
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## Obtain and Validate Population Data and Select Samples

Step	Procedures
B.3. Obtain Third-Party Entity Data (Employment After Retirement Only)	<ol style="list-style-type: none"> <li>1. Obtain the list of third-party staffing entities used.</li> <li>2. To confirm completeness for the list of third-party entities, review the monthly check register for vendor payments to determine if any other third-party entities are providing staffing services. Search the check register using key words such as <i>staff</i>, <i>personnel</i>, <i>leased</i>, <i>contractors</i>, etc.</li> <li>3. Obtain confirmation stating personnel provided by third-party entities are performing duties or providing services that employees would otherwise perform. <b>Note:</b> If services performed by leased employees are 100% outsourced, document with supporting documentation and discontinue further analysis of these employees.</li> <li>4. Once all third-party entities are identified, request names, and if available, social security numbers (SSN) of the leased employees from the TRS Reporting Official. <b>Note:</b> If the reporting entity is not able to provide the social security numbers for the employees, document this as a finding.</li> <li>5. Once the leased employees (who are retirees) are identified, and the confirmation regarding which retirees are performing a service that is normally performed by an employee is obtained, add selected retirees to Employment After Retirement testing.</li> </ol>
B.4. Select Regular Payroll and Census Data Samples	<ol style="list-style-type: none"> <li>1. Sample Selection – Employee Demographics and Regular Payroll               <ol style="list-style-type: none"> <li>a. From the validated population data for the selected month(s), select a sample of employees. Include the superintendent and the TRS Reporting Official in the sample. Then, select other employees using stratified random sampling. Consider the stratified random sample to include:                   <ul style="list-style-type: none"> <li>• employees reported as non-eligible</li> <li>• employees reported with a Federal Fund/Private Grant Contribution</li> <li>• employees reported with a New Member Contribution</li> <li>• employees reported with or subject to Statutory Minimum Contribution based on position codes 01 Professional Administrative; 02 Teacher or Full-time Librarian; 05 Full-time Nurse/Counselor</li> <li>• employees reported with an Educational/General-Local Funds Contribution or a Non-Educational/General Funds Contribution (Institutions of Higher Education only)</li> </ul> </li> <li>b. If any employees (not retirees) were not included in the Regular Payroll Report for the test month(s) but were included in the employer's payroll register, randomly select five unreported employees.</li> </ol> </li> </ol>

## Obtain and Validate Population Data and Select Samples

Step	Procedures
B.5. Select Employment After Retirement Samples	<ol style="list-style-type: none"> <li>1. Sample Selections – Employment After Retirement. From the validated population of TRUST data for the selected month(s), coordinate with your IT team to select two samples using the following criteria: <ol style="list-style-type: none"> <li>a. Non-Substitute Sample – From the data obtained, identify retiree population using the following attributes: employees who worked during the test period, retired after Sept. 1, 2005, and employer did not pay pension surcharges. Select a random sample. Include selected retirees working as independent contractors with a retirement date after Sept. 1, 2017 and providing service through a third-party entity.</li> <li>b. Substitutes Sample (Not applicable to Institutions of Higher Education) – From the data obtained, identify retiree substitute population using the following attributions: substitutes who retired after Sept. 1, 2005; and that the employer did not pay pension surcharges. Select a random sample.</li> </ol> </li> </ol>

### C. FIELDWORK (TEST SAMPLES)

This section is designed to provide guidance for:

- Conducting the self-audit
- Gathering sufficient and appropriate evidence to answer the objectives

Conduct Testing	
Step	Procedures
C.1. Test for Eligibility	<p>Purpose: To determine if sample employees working at reporting entities are eligible to participate in TRS.</p> <ol style="list-style-type: none"> <li>1. Eligibility Testing <ol style="list-style-type: none"> <li>a. Obtain TRS eligibility evidence for each employee in the sample. Evidence will consist of one or several of the following: <ul style="list-style-type: none"> <li>• Employment contract that would reflect if employee was hired for 4½ months or more and one-half time or more.</li> <li>• If contract is unavailable, obtain other evidence of employment such as work agreements, Personnel Action forms, timecards, screen print for employee payroll set up, listing of employees' job descriptions and job codes.</li> </ul> </li> <li>b. Using the evidence obtained, test TRS eligibility for sampled employees. Eligibility includes employees who: <ul style="list-style-type: none"> <li>• Established eligibility with a <u>single</u> TRS-covered employer (eligible employees working for multiple TRS-covered employers may be reported as an eligible employee by the employer who eligibility was not established if the employee is not performing substitute work).</li> <li>• Work the equivalent of 20 hours or more per week, or 15 hours per week if the position has no full-time equivalent.</li> <li>• Work for 4½ months or more during the school year.</li> <li>• Are compensated at a rate comparable to the rate of compensation for other persons employed in similar positions.</li> </ul> </li> </ol> </li> </ol> <p>During testing, consider the following:</p> <ul style="list-style-type: none"> <li>• For substitutes, confirm the name of the person for which the individual is subbing. A person is not a substitute if the position is vacant.</li> <li>• If an employee is determined to be eligible and was not reported to TRS as an eligible member, ask the Reporting Official if the person was hired with the intention of regular employment and to work one-half time or more. If the answer is yes, the person was incorrectly omitted from the Regular Payroll Report.</li> </ul>

Conduct Testing	
Step	Procedures
C.1. Test for Eligibility (Continued)	<ul style="list-style-type: none"> <li>c. For eligible members who were not reported to TRS as eligible, calculate: <ul style="list-style-type: none"> <li>• Member contribution to pension fund</li> <li>• Member contribution to TRS-Care</li> <li>• Employer contribution to TRS-Care</li> </ul> </li> <li>d. For any eligible members who were not reported to TRS as eligible, note the exceptions and test for the following: <ul style="list-style-type: none"> <li>• Census data</li> <li>• New member contribution</li> <li>• Federal funds contribution</li> <li>• Statutory minimum contribution (For ISDs only)</li> <li>• Non-OASDI (Old-Age, Survivors, and Disability Insurance) contributions (For ISDs only)</li> <li>• Educational/general-local funds (Higher Education only)</li> <li>• Non-educational and general funds contribution (Higher Education only)</li> <li>• State contribution for community and junior colleges (Community and Junior Colleges only)</li> </ul> </li> </ul>
C.2. Test for Optional Retirement Program (ORP) Election. The election must be on <i>TRS 28 - Election To Participate In Optional Retirement Program and/or Refund Form</i>  <b>Note:</b> This step is only applicable to Institutions of Higher Education.	<p>Purpose: To determine the completeness and accuracy of TRS eligibility and ORP election/participation.</p> <ul style="list-style-type: none"> <li>1. ORP Testing <ul style="list-style-type: none"> <li>a. For those employees identified as ORP participants, ensure that each individual is employed in a position that is eligible to participate in the ORP per the institution's policy.</li> <li>b. Obtain evidence of the employee's election of ORP, noting the date of the election. Determine if the election was made before: <ul style="list-style-type: none"> <li>• The 91<sup>st</sup> day after the employee becomes eligible (eligibility begins on the first date that the employee began work in an eligible position).</li> <li>• If the employer notifies the employee of his/her eligibility to participate in ORP after the first date of eligibility, but before the 91<sup>st</sup> day, the employee must make the election before: later of the 91<sup>st</sup> day or the 31<sup>st</sup> day after notification.</li> <li>• If the employer fails to notify the employee of eligibility before the 91<sup>st</sup> day, but notifies the person before the 151<sup>st</sup> day; the employee must make election before the later of the 151<sup>st</sup> day or the 31<sup>st</sup> day after notification of eligibility.</li> <li>• If the employer fails to notify the employee of eligibility to participate before the 151<sup>st</sup> day after the first day of eligibility, the employee is not eligible to elect to participate in ORP and must remain a participant of the TRS retirement plan.</li> </ul> </li> <li>c. Determine if TRS has received all employee election form for ORP for the test period.</li> </ul> </li> </ul>

Conduct Testing	
Step	Procedures
C.3. Test Census Data	<p>Purpose: To determine the accuracy of census data reported to TRS.</p> <ol style="list-style-type: none"> <li>1. Census Data Testing <ol style="list-style-type: none"> <li>a. Compare census data (social security number, name, date of birth, gender) from employer records to TRS records. Confirm: <ul style="list-style-type: none"> <li>• Social security number to copy of social security card or other governmental document, such as a Form W-4 <i>Employee's Withholding Allowance Certificate</i>.</li> <li>• Name, date of birth, gender (source documentation can be driver's license, passport or any other government-issued document)</li> <li>• Hire date at current employer or years of service at current employer (review personnel file for documents such as initial W-4 or Form I-9 <i>Employment Eligibility Verification</i>, or employee contract with signature date). For Census Data testing, only verify years of service with current employer.</li> <li>• Salary (verified in TRS Eligibility Testing). Note discrepancies from Regular Payroll Testing in the Census Data Testing.</li> </ul> </li> <li>b. Identify any census data that requires correction.</li> </ol> </li> </ol>



Conduct Testing	
Step	Procedures
C.4. Test for New Members	<p>Purpose: To determine if reporting entities are paying the required state contribution for new TRS members during the report periods that contain the member's first 90 days of employment.</p> <ol style="list-style-type: none"> <li>1. Contribution Testing <ol style="list-style-type: none"> <li>a. Obtain selected employee's employment contracts or I-9 Forms to determine their hire date.</li> <li>b. To determine the period of employment (90 days) subject to payment: <ul style="list-style-type: none"> <li>• Count the first day of employment as the first day of the 90-day period.</li> <li>• Count all the calendar days of an employment period regardless of whether the days are in different school years.</li> <li>• Do not count any calendar days between periods of employment.</li> <li>• Count service provided by an employee to more than one reporting entity during one calendar day as one calendar day in the payment period.</li> <li>• Count the days during the summer if the person is considered to be an employee of the reporting entity and the person has not reached the 90<sup>th</sup> calendar day before the summer begins (including if the person is not working during the summer but is receiving accrued pay).</li> </ul> </li> </ol> </li> </ol> <p>Consider: The contribution amounts (calculated as 6.8 percent of creditable compensation) are due on pay received (not earned) during an employee's first 90 days of TRS membership.</p> <p>Employer payments to TRS on compensation paid to an employee are due for the entire report month that contains the first day of the employee's eligibility membership and continues each month up to the entire report month that contains the 90<sup>th</sup> day of employment.</p> <ol style="list-style-type: none"> <li>c. If employment started within 90 days of the test month(s), then a new member contribution is owed by the employer. If contributions have been made beyond the 90 days, then no new member contribution is owed for the test month(s).</li> <li>d. Identify new members who did not have the new member contribution paid, and any non-new members who had a new member contribution paid. Calculate any contribution variances.</li> </ol>

Conduct Testing	
Step	Procedures
C.5. Test for Federal Funds/Private Grant Contributions	<p>Purpose: To determine if reporting entities are reporting the total amount of salary paid from federal funds and private grants to TRS-eligible employees. Determine if reporting entities are reimbursing the state for the state's contribution due on the salary and the state's contribution due for TRS-Care participants.</p> <ol style="list-style-type: none"> <li>1. Federal Funds/Private Grant Contribution Testing <ol style="list-style-type: none"> <li>a. Obtain supporting documentation from the reporting entity for: <ul style="list-style-type: none"> <li>• Federal funds reimbursement to the state and to TRS-Care.</li> <li>• A listing of the source of funds for salaries for the sampled employees.</li> <li>• Note: The reimbursement from child nutrition programs is considered funds from a federal grant. Therefore, the state retirement contribution is due on salaries paid to food service employees. The Child Nutrition Contribution worksheet is located at: <a href="https://www.trs.texas.gov/TRS%20Documents/child_nutrition_guidelines.pdf">https://www.trs.texas.gov/TRS%20Documents/child_nutrition_guidelines.pdf</a></li> </ul> </li> <li>b. Calculate Federal Funds/Private Grant and Child Nutrition Contributions.</li> <li>c. Note discrepancies between calculated contributions and reported contributions.</li> <li>d. <b>Note:</b> Federal Funds/Private Grant contributions are not required for New Members.</li> </ol> </li> </ol>



Conduct Testing	
Step	Procedures
C.6. Test Statutory Minimum and Non-OASDI Contributions <b>Note:</b> This step is <b>not</b> applicable to Institutions of Higher Education.	<p>Purpose: To determine if reporting entities are remitting to TRS the correct Statutory Minimum and Non-OASDI Contributions.</p> <ol style="list-style-type: none"> <li>Test sampled employees with the following positions: <ul style="list-style-type: none"> <li>Teachers, full-time librarians, full-time counselors or full-time nurses (Texas Education Agency State Minimum Salary Schedule Table 1)</li> <li>Superintendents, principals, administrative officers, instructional officer, diagnostician (Texas Education Agency State Minimum Salary Schedule Table 2 and Table 3)</li> <li>Support Staff – for Non-OASDI contributions testing only</li> </ul> <p>Do not test sampled employees for Statutory Minimum that are:</p> <ul style="list-style-type: none"> <li>A New Member</li> <li>Paid 100 percent with federal funds.</li> </ul> </li> <li>Statutory Minimum Testing  <b>Note:</b> Calculation methodology is included in the <a href="#">Payroll Manual for Independent School Districts, Charter Schools, and Education Service Centers</a> located on Reporting Entity section of the TRS website.  Refer to the <b>Texas Education Agency (TEA) Minimum Salary Schedule</b> and <i>Cost of Education Index (CEI)</i> in effect for test period. The CEI may be obtained from the reporting entity's Director of Finance. <ul style="list-style-type: none"> <li>For the Minimum Salary Schedule, refer to Tables 1, 2 or 3, as applicable. The tables reflect the state minimum salary schedule for 10-month, 11-month or 12-month employment agreements.</li> <li>For the Texas CEI, note that reporting entities are listed by county and that the Cost Component ALL YEARS should be used.</li> </ul> <ol style="list-style-type: none"> <li>Obtain documentation from the reporting entity to support: <ul style="list-style-type: none"> <li>The member's salary includes only eligible compensation that is subject to statutory minimum (document adjustments to arrive at eligible compensation).</li> <li>The Years of Experience Credit (Salary Step).</li> <li>The salaries paid with federal funds.</li> <li>The payment installment method used by the reporting entity for salary payments (10, 11, 12 months).</li> </ul> </li> <li>Calculate the correct adjusted state minimum salary and state minimum salary contribution.</li> <li>Identify any discrepancies between calculated and reported amounts.</li> </ol> </li> </ol>

Conduct Testing	
Step	Procedures
<p>C.6. Test Statutory Minimum and Non-OASDI Contributions (Continued)</p> <p><b>Note:</b> This step is <u>not</u> applicable to Institutions of Higher Education.</p>	<p>3. Non-OASDI Testing</p> <ol style="list-style-type: none"> <li>Determine if reporting entity participates in social security by reviewing the Employee Retirement System of Texas (ERS) list of school districts with social security agreements. If the reporting entity participates in social security for all employees, test that Non-OASDI contributions were not paid.</li> <li>Obtain amount of Non-OASDI contribution paid by employer. Non-OASDI contribution is due on all TRS eligible members who are employed with a district that does not participate in social security.</li> <li>Calculate the correct Non-OASDI Contribution (Calculated by: Multiplying 1.5 percent times the amount of the lesser of the tested employee's salary or adjusted state minimum salary, or by multiplying 1.5 percent times the salary paid for tested employees who are not subject to the State Minimum Salary Schedule).</li> <li>Identify any discrepancies between calculated and reported amounts.</li> </ol>
<p>C.7. Test Educational/General-Local Funds Contributions and Non-Educational/General Funds Contribution</p> <p><b>Note:</b> This step is <u>only</u> applicable to Institutions of Higher Education.</p>	<p>Purpose: To determine if compensation paid to employees from Educational/General-Local Funds (EGF) by senior universities, junior and community colleges, medical and dental schools is accurately reported to TRS. To determine if compensation paid to employees from Non-Educational/General Funds (NGF) by senior universities, medical and dental schools is accurately reported to TRS. To determine if the state portion of EGF and NGF contributions is correctly paid to TRS.</p> <ol style="list-style-type: none"> <li>Determine if any sampled employees are new members or TRS service retirees. If an employee is a new member, no EGF or NGF contribution is due (for months that contain the first 90 days of membership). If employee is a TRS service retiree, no EGF contribution is due.</li> <li>Obtain a listing of the compensation source of funds for the sample employees. Compare each sample item to the source of funding. <ol style="list-style-type: none"> <li>Calculate the percentage of salary paid with EGF (EGF are funds such as net tuition, special course fees, lab fees, student teaching fees, hospital and clinic fees, proceeds from sale of equipment, and indirect cost recovery fees).</li> <li>Calculate the percentage of salary paid with NGF (NGF are all funds except those provided under the Texas General Appropriations Act).</li> <li>Obtain employer's detailed support for amount EGF and NGF contributions paid for each sampled employee. The contribution amount should be equal to the current rate of 6.8 percent of compensation.</li> <li>Identify any discrepancies between calculated and reported amounts.</li> </ol> </li> </ol>

Conduct Testing	
Step	Procedures
C.8. Test Community/Junior College Report  <b>Note:</b> This step is only applicable to Community and Junior Colleges.	<p>Purpose: To determine if community and junior colleges are paying the required state contribution on employees.</p> <ol style="list-style-type: none"> <li>1. Obtain support for state contribution calculations for sampled employees.</li> <li>2. Determine if the state contribution amount (6.8 percent) is calculated correctly for sampled employees. For eligible instructional or administrative employees, the contribution is based on 50 percent of salaries paid. For all other members, the contribution is based on 100 percent.</li> <li>3. Identify discrepancies between calculated and reported amounts.</li> </ol>
C.9. Test Employment After Retirement	<p>Purpose: The purpose of this test is to determine if all retired members are accurately reported and that pension and/or TRS-Care surcharges are paid.</p> <ol style="list-style-type: none"> <li>1. Requirements: For Retirees who retired after Sept. 1, 2005 and return to work, pension and TRS-Care surcharges are owed if the individual works more than one-half time during a calendar month.             <ul style="list-style-type: none"> <li>• Pension Surcharge = 14.5 percent x salary paid during month that time worked is more than one-half time.</li> <li>• TRS-Care Surcharge = \$535 per month for TRS-Care Participants (To determine if the employee is a TRS-Care participant, use the <i>View Employee Information</i> feature in the TRS RE Portal)</li> </ul> </li> <li>2. Employment After Retirement Test (<b>Note: For Institutions of Higher Education, this test only applies to Retirees, not ORP participants/retirees</b>)             <ol style="list-style-type: none"> <li>a. Non-Substitute Test – Request timesheets to verify that retirees worked more than one-half time. If the retirees worked more than one-half time, determine the amount of pension and TRS-Care surcharges due. (To determine the number of hours that equal one-half time in a test month, use the <a href="#">Employment After Retirement Limits Chart</a> in Reporting Entities section of the TRS website.)</li> <li>b. Substitute Test (<b>Not applicable to institutions of Higher Education</b>) – Obtain supporting documentation for all days within test time period that the employee performed substitute work. Determine the person and position for whom the TRS retiree performed substitute work. Using the documentation obtained, determine:                 <ol style="list-style-type: none"> <li>i. Whether the TRS retiree worked in the same vacant position for more than 20 days since the beginning of the school year (defined as Sept. 1 – Aug. 31)</li> <li>ii. If the TRS retiree worked in excess of 20 days in the same vacant position, determine if surcharges are due. To determine if surcharges are due, use the one-half time or more test.</li> </ol> </li> </ol> </li> </ol> <p>Identify any discrepancies between calculated and reported amounts.</p>

## D. REPORTING

This section is designed to:

- Guide the auditor on the steps necessary to conclude the audit and to report the audit results.

Reporting and Concluding the Audit	
Step	Audit Procedures
D.1. Report Results	<p>Prepare a report of the findings and recommendations. Include the following:</p> <ol style="list-style-type: none"><li>1. Draft the Audit Report</li><li>2. Create a Table of Findings</li><li>3. Conduct an Exit Conference</li><li>4. Obtain Client Responses and Chief Audit Executive (CAE) approval</li><li>5. Final Quality Control Review</li><li>6. Prepare and Distribute Report</li></ol> <p>Ensure that the Reporting Official receives the final results to coordinate corrections with TRS. In addition, please consider providing a copy of your final audit report to TRS Internal Audit at <a href="mailto:employeraudits@trs.texas.gov">employeraudits@trs.texas.gov</a> along with any feedback that would assist us in improving this audit tool.</p>

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## REFERENCES, TOOLS, TEMPLATES

### References

- Appendix A [TRS Reporting Entities Homepage](#)
- Appendix B [RE Portal Resources](#)
- Appendix C [TRS Employer Audits](#)
- Appendix D [TRS Contribution Rates Matrix](#)

### Templates

- Appendix E [Engagement Letter](#)
- Appendix F [Request for Records](#)