



Internal Audit Employer Testing Agreed-Upon Procedures



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July 18, 2019



SCOPE OF TESTING

5

Test Areas



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

January 2019

Test Month

3

Reporting Entity Partners
(REPs)



- Arlington ISD
- Killeen ISD
- San Marcos CISD

Census Data

- Accuracy of Key Census Data Elements:
Name, SSN, Date of Birth, Gender
- Required Testing (GASB)
- Random Selection from:
 - TRS Eligible Employees
 - Members After 9/1/17

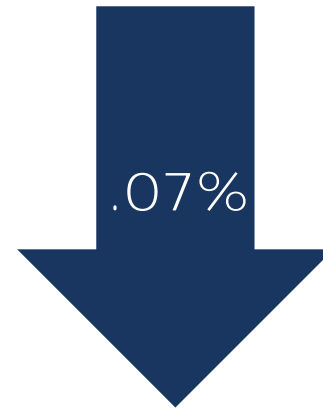
Exception Rate



Census Data
(n=90)

Gross Compensation

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



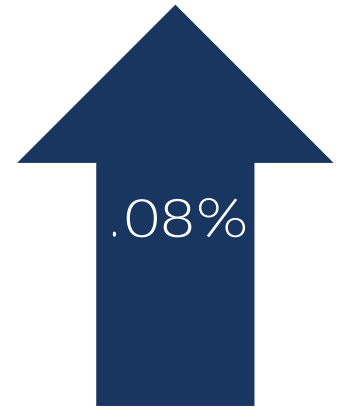
1

Underreported



1

Matched



1

Overreported

Retiree Substitutes

- Are TRS retirees correctly reported as substitutes?
- Risk-based, Targeted Sampling
- TRS Definition of a Retiree “Substitute”

Exception Rate



Retiree
Substitutes
(n=31)

Surcharges

- Surcharges owed for Employment after Retirement?
- Risk-based, Targeted Sampling
- TRS Retirees (Full Time and Part Time) – TRUST system issue impact*

- \$13,982 Underpayments in Surcharges
 - \$9,167 Pension
 - \$4,815 TRS-Care
- 4 Instances of Inability to Conclude

Exception Rate



Surcharges
(n=101)

*Certain TRUST validation rules were inadvertently suppressed after the release of MC19 on 1/27/19 and fixed on 2/4/19.

Eligibility

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

Exception Rate



Eligibility
(n=64)

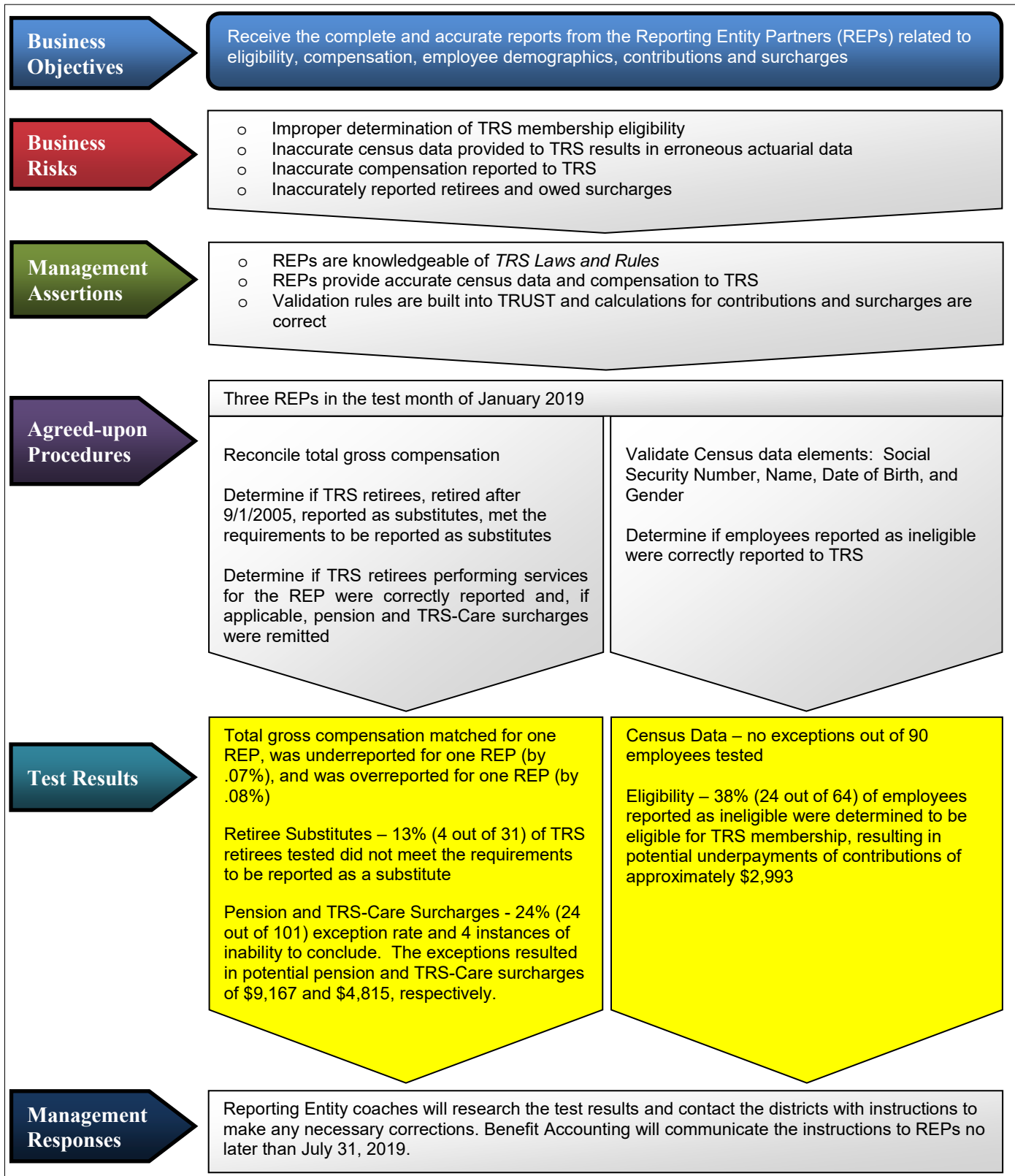
\$2,993 in Underpayments
of Member Contributions

Reporting Entity coaches will research the test results and contact the reporting entity partners with instructions to make any necessary corrections. Benefit Accounting will communicate the instructions to REPs no later than July 31, 2019.

EMPLOYER TESTING AGREED-UPON PROCEDURES

TRS Internal Audit Department

June 1, 2019



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

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



June 1, 2019

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 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): Killeen Independent School District, San Marcos Consolidated Independent School District, and Arlington Independent School District for the test month of January 2019. Tests performed 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 this test.

We express our appreciation to management and key personnel of Benefit Services and to the reporting officials and staff at Killeen Independent School District, San Marcos Consolidated Independent School District, and Arlington Independent School District for their cooperation and professionalism shown to us during the testing.

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

Kate Rhoden, CPA, CIA
Director of Benefit Audit Services

Andrea Morales, CIA, CFE
Benefit Audit Manager

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 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 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 matched for one REP, was underreported for one REP (by .07%), and was overreported for one REP (by .08%)
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.	13% (4 out of 31) of tested TRS retirees did not meet the requirements to be reported as a substitute
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.	24% (24 out of 101) exception rate and four instances of inability to conclude. The exceptions resulted in potential understatement of \$9,167 and \$4,815 in pension and TRS-Care surcharges, respectively.
5	<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 REPs, determine if the employees were eligible	38% (24 out of 64) exception rate, resulting in potential underpayments of contributions of approximately \$2,993

Management response: Reporting Entity coaches will research the test results and contact the districts with instructions to make any necessary corrections. Benefit Accounting will communicate the instructions to REPs no later than July 31, 2019.