

Teacher Retirement System of Texas

EMPLOYER AUDITS

Carol Casey

Art Mata

The logo features the acronym "TASBO" in a large, dark red, stylized serif font. The letters are positioned below a thick, dark red, curved banner that arches over them. In the background, a bright yellow sun is rising, with numerous thin, light-colored rays radiating outwards from behind the horizon line.

TASBO

Key To Success

Education
+ *Knowledge*
+ *Understanding*
=



Agenda

- **Audit Requirements: AICPA Audit & Accounting Guide for State and Local Governments**
- **The Audit Process**
- **Results of Prior Audits**
- **Action Items For You**
- **Tools**
- **Questions**



Why are we Auditing Employers?

Audit Requirements:

AICPA Audit & Accounting Guide for State and Local Governments



AICPA Audit Guide



- **Requires employers to have controls over “census data” reported to pension plans**
- **Census data includes** (but is not limited to)
 - Name, date of birth, hire, termination, retirement
 - Eligible compensation
 - Years of service
 - Gender
 - Employment status
- **State Auditor’s Office conducts census data testing each year**

TRS Audit Activities

Scope

- Completeness and accuracy of reports submitted
- TRS membership eligibility of contract workers performing services for the employer
- Accuracy of census data elements

Focus Areas Can Include

- Eligibility and Creditable Compensation
- Contributions (federal funds, new member)
- Statutory Minimum
- Non-OASDI
- Third-Party Entities and Independent Contractors
- Employment After Retirement



The Audit Process



Risk Assessment

- **Internal Audit performs an annual risk assessment to determine which employers will be selected for audit**
- **Criteria are weighted according to severity of risk factor**
- **The risk assessment is sorted and selection made to audit districts with higher risk score**
- **The data is updated as new information is received**



Risk Assessment

Criteria Include (but are not limited to)

- Complaints/negative news articles
- Late reports, numerous adjustments
- Warrant Holds
- Unpaid contributions and/or surcharges
- Findings in audits performed by the Legislative Budget Board, State Auditor's Office, Texas Education Agency
- TRS management input
- Data Analytics



Audit Process - Planning

- **Contact employer**
- **Discuss:**
 - ☐ Engagement Memo
 - ☐ Timing of Audit
 - ☐ Document Request List
 - ☐ Secure File Transfer Protocol (SFTP) Site
 - ☐ Plan for on-site visit to wrap up audit



Audit Process - Planning



List of Requested Information and Supporting Documentation:

- **Census data on the sample of 30 members selected from the TRS Regular Payroll Report**
 - ☐ Copy of driver's license or other official document that reflects date of birth and gender
 - ☐ Copy of official document, such as USCIS I-9 form, that reflects initial hire date with the district
- **Copies of detailed supporting records to reports submitted to TRS**

Audit Process - Planning



List of Requested Information and Supporting Documentation (continued):

- **Supporting documentation for Employment After Retirement must include:**
 - ☐ Names of retirees who worked in the test month
 - ☐ Time records, i.e., timesheets, timecards
 - ☐ Work Agreements, Contracts
 - ☐ Substitutes
 - Non Vacant – Name of absent employee
 - Vacant – Number of Days Worked since 9/1/17

Audit Process - Planning

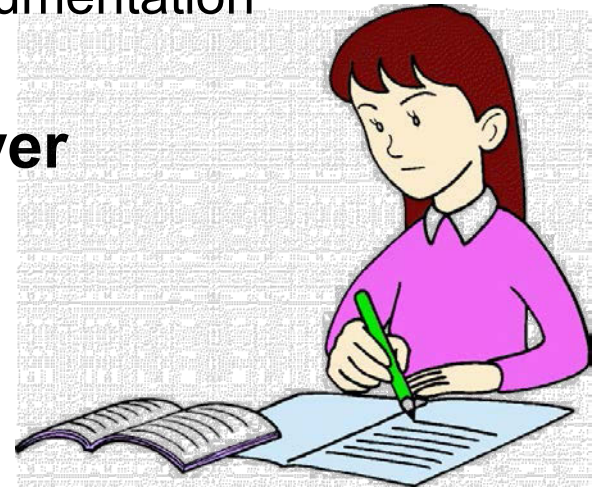


List of Requested Information and Supporting Documentation (continued):

- **Additional documentation depending on the scope determined for testing**
 - ☐ Employees not reported to TRS
 - ☐ Vendors/independent contract workers
 - ☐ Determine if staff provided by Third-Party Entities are properly reported

Audit Process – Fieldwork (Testing)

- **Perform testing on specified reports and census data information**
 - ☐ Calculate contributions and compare to amounts submitted by the employer
 - ☐ Determine if the employer's report totals agree with the total amounts in employer's supporting documentation
- **Discuss findings with the employer**
- **Resolve outstanding items**



Audit Process - Reporting

REPORT TESTING DETAILS							
	Grand Total Reported	Total Tested	Under Reported	Over Reported	Revised Total Tested	% Error	
REGULAR PAYROLL							
Member Contributions to Pension Fund							
One employee improperly excluded			\$59.51				
Regular Payroll Summary	\$1,637,778.04	\$10,442.35	\$59.51	\$0.00	\$10,501.86	0.57%	
NEW MEMBER							
No exceptions							
New Member Summary	\$6,662.40	\$912.89	\$0.00	\$0.00	\$912.89	0.00%	
STATUTORY MINIMUM							
Underpaid contributions on seven members			\$287.16				
Overpaid contributions on two members				47.15			
Statutory Minimum Summary	\$211,277.95	\$3,086.81	\$287.16	\$47.15	\$3,326.82	10.83%	

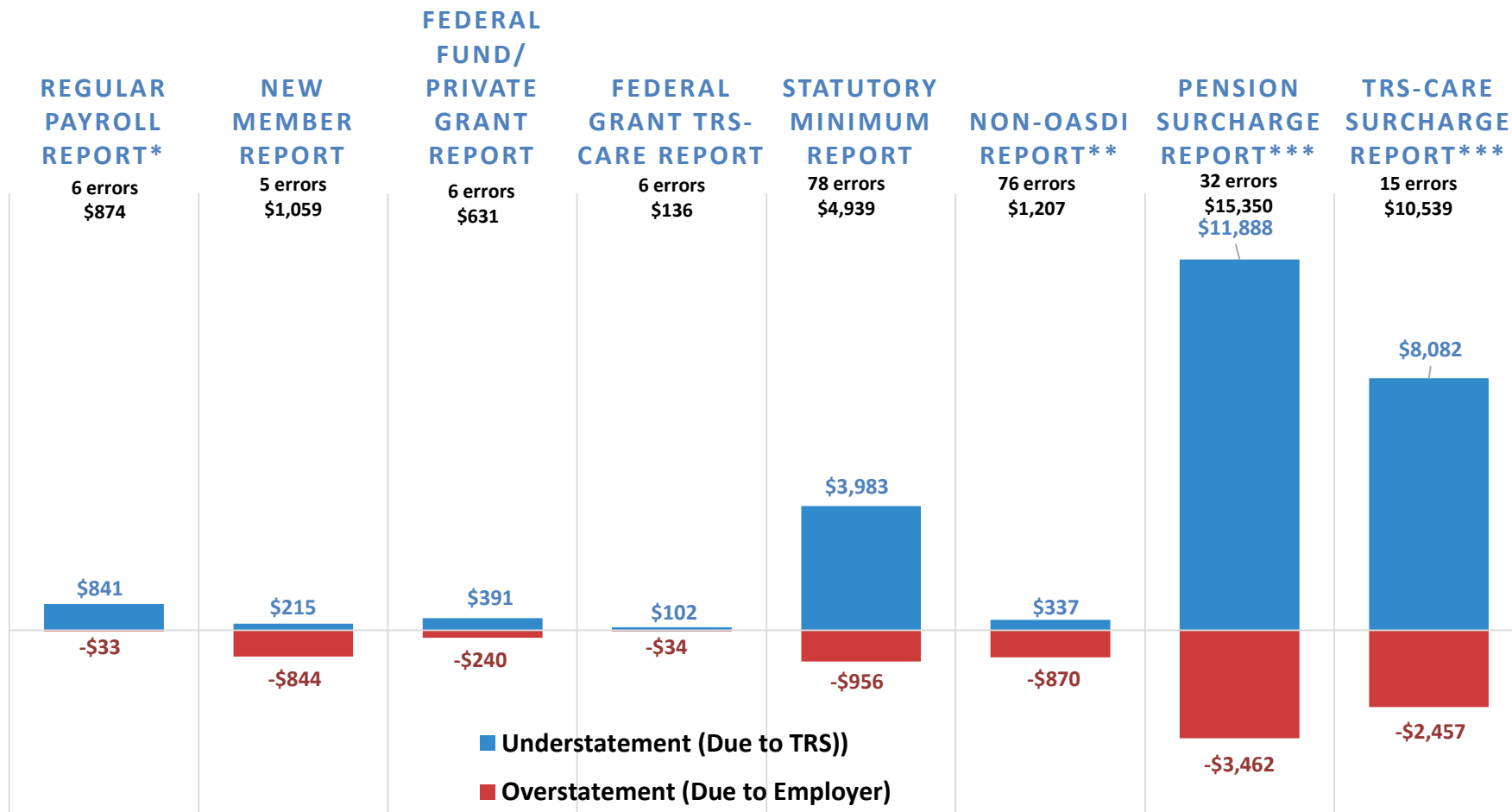
Prior Audit Results

Results of Prior Audits & Your Take Home Action Items (to help avoid errors)



Results of 11 Audits Conducted in FYs15-16

(For the Month Tested)



* Regular Payroll Report includes member contribution to pension fund, TRS-Care, and employer contribution to TRS-Care.

** OASDI stands for old age, survivor and disability insurance, which is more commonly referred to as Social Security.

*** Excludes one employer that is still researching and resolving errors.

Disclaimer: Results presented are for employers selected for audit based on risk. These results may not be representative of the total population.



Creditable Compensation Errors



Common Errors

- **Compensation reported to TRS incorrectly included:**
 - X – Car allowance
 - X – Housing allowance
 - X – Cell phone allowance
- **Not reporting eligible compensation to TRS:**
 - X – Bilingual stipend
 - X – Tutoring students outside regular workday

Creditable Compensation Errors



Action Item –

Determine if Creditable Compensation meets *all four* requirements:

- ✓ Payment is for services rendered
- ✓ Payment is earned or accrued proportionally as work is performed
- ✓ Payment is paid at fixed intervals
- ✓ Payment is not specifically excluded under *TRS Laws and Rules*

Statutory Minimum Errors

Common Errors

- Incorrect State Minimum Salary Schedule (see TEA website)
- Incorrect adjusted TRS salary
- Incorrectly including new members
- Incorrectly including members paid with federal funds



Minimum Salary Schedules

Statutory Minimum Errors



Action Item –

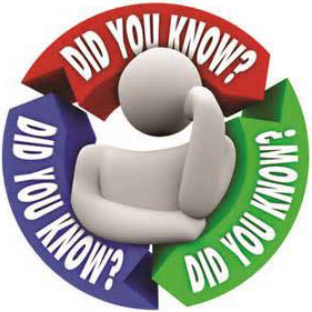
Determine if calculation of Statutory Minimum contributions are correct

- ✓ Check that compensation is includable in Statutory Minimum calculation
- ✓ Use the correct TEA State Minimum Salary Schedule
- ✓ Use the Cost of Education Index (CEI) for your district
- ✓ Exclude new members & employees paid 100% with federal funds



Minimum Salary Schedules

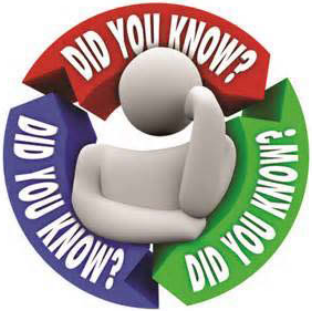
Non-OASDI Errors



Common Error

- Not paying on the correct salary amount (salary versus adjusted state minimum salary)

Non-OASDI Errors



Action Item –

Determine if calculation of Non-OASDI contributions is correct

- ✓ If position is subject to state minimum salary schedule, district must remit 1.5% of the salary up to the adjusted state minimum salary for the position
- ✓ Use correct state minimum salary to avoid reporting incorrect Non-OASDI contribution amount

New Member Errors



Common Errors

- Required contributions are not reported on employees who are new members to TRS
- Contributions reported on employees new to the district but are not new TRS members

New Member Errors



Action Item –

Determine if new member contribution is paid *only* for employees who are new TRS members

- ✓ Look up all new hires in a TRS-eligible position on “*View Employee Information*” in Reporting Entity Portal

Employment After Retirement Errors

Common Errors

- Failure to report retirees who worked in reporting month on Employment After Retirement Report (ER20)
- Failure to report and pay pension and any applicable TRS-Care surcharges on salaries of retirees who retired AFTER September 1, 2005 and worked in excess of one-half time
- Failure to calculate surcharges on *salary paid* for the report month
 - ❑ Surcharges should be calculated on amounts paid during the report month regardless when it was earned
 - ❑ Improperly reporting and paying Pension and TRS-Care Surcharges on retirees who retired BEFORE September 1, 2005



Employment After Retirement Errors

Common Errors (continued)

- Failure to report retirees hired through a third-party entity who are providing services normally provided by employees
 - ❑ e.g., cafeteria workers, custodial services
- Failure to track actual time worked by retirees



Employment After Retirement Errors



Action Item –

Check accuracy of Employment After Retirement Report

- ✓ Identify and report ALL TRS retirees who worked for the district during the reporting month
- ✓ Track total hours worked for ALL retirees
 - ☐ Subbing for an employee
 - ☐ Subbing in a vacant position
 - ☐ Combining work as a substitute and any other employment
- ✓ Use the TRS chart of monthly hours a retiree can work
- ✓ Identify and report ALL retirees provided by a third-party entity who provide services normally performed by an employee of the district



Tools and Resources



Checklist for TRS Audit

- Identify a contact person who will work with the auditors
- Assemble the items on the *Request for Information and Supporting Documentation*
- If an onsite visit, prepare a temporary workspace for the auditors with adequate space and lighting, inform IT department for WI-FI access
- Advise key staff about the audit and their role (if applicable)




Employer Self-Audit Tools

Employer Audit Program covers the following:

- Eligibility and Creditable Compensation
- Contributions (Federal Funds, New Member, Statutory Minimum, Non-OASDI)
- Employment After Retirement



Employer Audit Web Page

**TRS** TEACHER RETIREMENT SYSTEM OF TEXAS

[MyTRS](#) [TRAQS](#) [Careers](#) [Contact Us](#)


SEARCH...

[Home](#) [About TRS](#) [Active Members](#) [Retirees and Beneficiaries](#) [Reporting Entities](#) [Investments](#) [Pension Benefits](#) [Health Care Benefits](#)

REPORTING ENTITIES - HOME
GENERAL INFORMATION
Contribution Rates
Employment Eligible for TRS Membership
Creditable Compensation
IRS Salary Cap Provision
Limits on Transfers and Refunds
Reporting Requirements for SSA-1945
Important ORP Information
TEXNET
TRAQS RESOURCES
Adding a New Contact & Deleting a Contact
Electronic File Formats
Reports to be Submitted
Payroll Manual - Higher Education
Payroll Manual - Public Schools
Payroll Manual - Charter Schools and ESC Regions

RE PORTAL RESOURCES
TEAM Program Communications
Certification and Training Resources
Report Certification Portal (Log in)
GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)
GASB Statement 24
GASB Statement 45
GASB Statement 67 and 68
EMPLOYER AUDITS
403(B)
403(b) Certification and Product Registration
403(b) for Active Members

FAQS
FORMS
PUBLICATIONS

**TRS** TEACHER RETIREMENT SYSTEM OF TEXAS

[MyTRS](#) [TRAQS](#) [Careers](#) [Contact Us](#)

SEARCH...

[Home](#) [About TRS](#) [Active Members](#) [Retirees and Beneficiaries](#) [Reporting Entities](#) [Investments](#) [Pension Benefits](#) [Health Care Benefits](#)

Employer Audits

As a result of two Governmental Accounting Standards Board (GASB) standards, TRS Internal Audit staff this year began employer audits of selected reporting entities.






The American Institute of Certified Public Accountants (AICPA) has issued guidance related to the implementation of the new standards, **GASB 67 and GASB 68**. This guidance emphasizes the consideration of plan controls over active member census data being provided by TRS reporting entities, specifically focused on the accuracy and completeness of the data. Auditing census data is the responsibility of both TRS auditors and reporting entity (employer) auditors.

As stated in the **October 2014 TRS Update (pdf)**, TRS Internal Audit staff is now testing employer census data and controls pertaining to census data reporting process for active members. TRS is reviewing the following elements of the data: gender, dates of birth, dates of hire or years of service, eligible compensation, and termination or retirement dates. TRS auditors are also testing eligibility and compensation for accuracy, completeness, and compliance with TRS Laws & Rules. If you are selected for an employer audit, you will be contacted by TRS Internal Audit staff.

As outlined in the **June 2014 TRS Update (pdf)**, the Texas State Auditor's Office (SAO) has also been conducting site visits to ensure employee payroll and demographic data submitted to TRS is accurate. TRS appreciates your cooperation during this process to ensure requested records are expeditiously collected and provided to SAO auditors.

Audit Resources and Guidance

To learn more about the upcoming employer audits, related resources, and the services Internal Audit provides, and how we can assist you, please click on the links below.

-  [Presentations and Guidance](#)
-  [Self-Audit Tools](#)
-  [Employer Review Program for ISDs and Charter Schools \(pdf\)](#)
-  [Final TRS Audit Reports](#)
-  [Email](#)
Employer Audit Program

Send your comments regarding the Employer Audit Program to [Employer Audits](#).


SAO Activities


The Texas State Auditor's Office (SAO) is the independent auditor for Texas state government. Types of audits the SAO performs include: financial statement opinion audits, financial audits, compliance audits, economy and efficiency audits, effectiveness audits, and other special audits. Investigations are performed whenever there is evidence of fraud or abuse of state resources.

As outlined in **TRS Update – June 2014 Vol. 33, No. 3 (pdf)**, the SAO is also conducting site visits to ensure employee payroll and demographic data submitted to TRS is accurate.

Internal Audit Services

TRS Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve the organization's operations. Internal Audit helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. We perform our audits based on an annual risk-based audit plan, as well as at the request of the TRS Board of Trustees and TRS management.

 **Frequently Asked Questions**
[Employer Audits](#)
[View Employer Audits FAQs](#)



Employer Audit Web Page

Presentations & Guidelines

- TASBO
- AICPA Whitepapers
- FAQs



Tools

- Audit Programs
- Audit Manual for ISDs, Colleges and Universities

Reports

- Audit Reports
- Common Findings

State Auditor Activity

- Communication



What We've Covered

- **Audit Requirements: AICPA Audit & Accounting Guide for State and Local Governments**
- **The Audit Process**
- **Results of Prior Audits**
- **Your Take Home Action Items**
- **Tools**

LET'S RECAP...

Q & A

Questions?

Contact: employeraudits@trs.texas.gov



Continue the Conversation!



TASBO Connect is a member-only community built for you to collaborate, share resources, ask questions and get answers from like-minded individuals around the state.

Logon today to continue discussing today's session topic and much more! Visit connect.tasbo.org to learn more.

©2017 Texas Association of School Business Officials. All rights reserved.
Do not duplicate or distribute without express permission.

