

19-115 Teacher Retirement System of Texas

We have completed our audit of the Teacher Retirement System of Texas (TRS) audit. This audit was performed at the request of the UTHealth Audit Committee and was conducted using the pre-established Employer Self-Audit Program developed by TRS.

BACKGROUND

An employee of UTHealth who meets the eligibility requirements for TRS membership is required to be a TRS member, unless the employee is eligible to make a one-time, irrevocable election to participate in the Optional Retirement Plan (ORP).

HOOP 32 *Retirement Program Eligibility* was established to govern this process and ensure compliance with Title 34 of the Texas Administrative Code (TAC), Part 3.

OBJECTIVES

The objective of this audit was to determine whether the processes for the Teacher Retirement System of Texas program are adequate and functioning as intended.

SCOPE PERIOD

The scope period was September 1, 2017 through October 31, 2018. A sample of three test months (December 2017, May 2018, and October 2018) within the scope period was selected for review.

METHODOLOGY

The following procedures were performed:

- Reconciled total salary in the payroll registers to the salaries reported to TRS in the Regular Payroll report and the Employment after Retirement report for October 2018.
- Reviewed the 2017 IRS 1099-MISC file to identify non-TRS members and retired TRS members to be included in the sample for testing.
- Inquired about third party staffing entities used by UTHealth.
- Selected a sample of employees (25) and reviewed for:
 - Eligibility to participate in TRS/ORP;
 - Existence of ORP election form;
 - Accuracy of demographic information reported to TRS;
 - Payment of new member contribution;
 - Accuracy of reporting salaries and contribution related to Federal Funds/Private Grants;
 - Accuracy of reporting salaries and contribution related to Educational/General Local Funds and Non-Educational/General Funds.
- Selected a sample of retirees (10) and reviewed for accuracy of reporting and payment of applicable surcharges.

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AUDIT RESULTS

A&AS identified the following areas of improvement:

- ORP election forms have not been consistently retained.
- Actual number of hours or days the retiree has worked or was on paid leave during the calendar month are not always reported accurately.
- Procedures requesting new hires or rehires to disclose whether they have dual appointments have not been developed and implemented.
- A list of retirees hired through third-party entities is not centrally maintained.
- Demographic information reported to TRS does not always match supporting documentation maintained by UTHealth.

NUMBER OF PRIORITY & HIGH FINDINGS REPORTED TO UT SYSTEM

None

We would like to thank the staff and management within Payroll, Human Resources, and Information Technology (Administrative Technology), who assisted us during our review.



Daniel G. Sherman, MBA, CPA, CIA
Assistant Vice President

MAPPING TO FY 2019 RISK ASSESSMENT

Risk (Rating)	Demographic information may not be input into system accurately &/or is not verified. (High) Casual employees and employees with dual appointments may work hours beyond the maximum allowed. (High) Demographic information may not be accurate and therefore rejected by the TRS system after 9/1/2018 system upgrade. (High)
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DATA ANALYTICS UTILIZED

Data Analytic #1	None
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AUDITING & ADVISORY SERVICES ENGAGEMENT TEAM

Assistant Vice President	Daniel G. Sherman, MBA, CPA, CIA
Audit Manager	Nathaniel Gruesen, MBA, CIA, CISA, CFE
Auditor Assigned	Kathy Tran, CIA, CFE
End of Fieldwork Date	February 1, 2019
Issue Date	February 14, 2019

Copies to:

Audit Committee
Michael Tramonte
Eric Fernette
Naga Krishna Kadiyala
Betty Williams

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<p>Issue #1</p>	<p>A&AS reviewed TRS guidelines on ORP and noted the following:</p> <ul style="list-style-type: none"> • An employee who meets the eligibility requirements for TRS membership is required to be a TRS member, unless the employee is eligible to make a one-time, irrevocable election to participate in ORP. • Eligibility to participate in ORP is determined by the employer in accordance with the Texas Higher Education Coordinating Board’s Chapter 25 rules. • The employee must make his or her ORP election within the 90-day election period on the <i>Election to Participate in Optional Retirement Program and/or Refund</i> form (Form TRS 28). Filling out a form created by the employing higher education institution or the company where the employee’s ORP account will be held is not sufficient to make an election to participate in ORP in lieu of membership in TRS. <p>A&AS reviewed a random sample of eight employees identified as ORP participants and noted each employee was employed in a position that is eligible to participate in ORP per HOOP 32 <i>Retirement Program Eligibility</i>. For five of the eight employees, Form TRS 28 could not be located for review. The hire/eligible date ranged from 1998 to 2014. Of which,</p> <ul style="list-style-type: none"> • Four employees showed the election to participate in ORP was done in accordance with TRS guidelines based on other documentation maintained. • For one employee who was in ORP, there was insufficient documentation to determine whether the election was made in accordance with TRS guidelines.
<p>Recommendation #1</p>	<p>We recommend Payroll management perform an inventory of employees who elected ORP and determine whether the election forms are available. For those that could not be located, if any, develop a plan for obtaining the missing ORP election forms.</p>
<p>Rating</p>	<p>Medium</p>
<p>Management Response</p>	<p>Payroll management team will begin a full audit of all ORP participants in May/June 2019 to determine whether the election forms are available. For those that could not be located, we will develop a plan for obtaining the missing forms.</p>
<p>Responsible Party</p>	<p>Bete Su Williams, Director - Payroll & Benefits Rosa Franco, Assistant Director of Benefits</p>
<p>Implementation Date</p>	<p>June 1, 2019</p>

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Issue #2	<p>A&AS reviewed TRS guidelines on employment after retirement (EAR) and noted the following:</p> <ul style="list-style-type: none"> • Employers are required to report TRS retirees returning to work on a monthly basis and pay the pension surcharge when a retiree works more than the EAR Limits set forth by TRS. • The information reported for retirees is based on the actual number of hours or days the retiree has worked or was on paid leave during the calendar month. <p>A&AS reviewed a random sample of 10 retirees and noted the following:</p> <ul style="list-style-type: none"> • Two retirees have meal hours paid in October 2018; however, these hours were not reported to TRS. This was due to a report coding error in PeopleSoft HCM that did not include meal hours paid as total hours paid for the calendar month. The actual hours worked or was on paid leave by the retiree did not exceed the EAR Limits in both instances. • Three retirees showed that the hours worked and days worked on PeopleSoft HCM time reports do not match what was reported to TRS for the calendar month. The actual hours worked or was on paid leave by the retiree did not exceed the EAR Limits in all three instances.
Recommendation #2	<p>We recommend Payroll management:</p> <ol style="list-style-type: none"> a) Review all coding logic in Peoplesoft HCM reports used for TRS reporting purposes pertaining to working retirees to ensure the report is complete and accurate, and where necessary, work with the appropriate employees to make corrections. b) Develop and implement procedures to ensure the hours worked and days worked by a retiree in PeopleSoft HCM matches what is reported to TRS.
Rating	Medium
Management Response	<ol style="list-style-type: none"> a) Within the recent TRS audit and the finding of meal paid hours, Payroll immediately made programmatic changes to accommodate the accurate reporting of hours. b) As of 9/1/18, working retirees have been moved to report actual hours worked and days reported as required. Additional communication will go out to this population on TRS rules and regulations. Payroll management will work with our IT Department to develop a monthly report of working retirees hours reported and will review for accuracy on a monthly basis.
Responsible Party	Bete Su Williams, Director - Payroll & Benefits
Implementation Date	June 1, 2019

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Issue #3	<p>A&AS reviewed TRS guidelines and noted the following:</p> <ul style="list-style-type: none"> • An employee who meets the eligibility requirements for TRS membership is required to be a TRS member. • Part-time, irregular, seasonal or temporary employment may be eligible for TRS if they meet the requirements outlined in the 34 TAC, Part 3, Chapter 25, Subchapter A, Rule 25.1(m) or 34 TAC, Part 3, Chapter 25, Subchapter A, Rule 25.6(a). <p>HOOP 21 <i>Dual Employment with Texas State Agencies</i> states, “As part of the employment process, all new employees must report dual appointments to Human Resources. Hiring departments that hire new faculty must ensure that Human Resources and Employee Benefits are informed of any dual appointments.”</p> <p>UTHealth does not have formal procedures requesting new hires or rehires to disclose whether they have dual appointments that would make them eligible for TRS membership as part of the employment process. This may result in incorrect reporting to TRS where the applicable member contributions are not withheld.</p> <ul style="list-style-type: none"> • As an example, in October 2018, TRS Online Portal indicated 12 employees reported by UTHealth may have dual appointments with another entity. These employees will be contacted to obtain the appropriate documentation and reported accordingly in later reports.
Recommendation #3	We recommend Payroll and Human Resources develop and implement a process requesting new hires and rehires to disclose whether they have a dual appointment as part of the employment process.
Rating	Medium

Management Response #3a	Payroll will work with Human Resources to develop and implement a process to collect dual employment data as part of the employment process and have this information available to Payroll at the time of hire/rehire.
Responsible Party	Bete Su Williams, Director - Payroll & Benefits
Implementation Date	May 1, 2019

Management Response #3b	Human Resources department will partner with Payroll to develop the process to improve the data collection for new hires/rehires. HR would review the existing new hire data collection forms and modify the form to collect dual data employment data and pass on the information to Payroll department.
Responsible Party	Naga Krishna Kadiyala, Executive Director, Employee Services & Human Resources Technology
Implementation Date	May 1, 2019

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<p>Issue #4</p>	<p>A&AS reviewed TRS guidelines on third-party entities and noted the following:</p> <ul style="list-style-type: none"> • A third-party entity is defined as “an entity retained by a Texas public educational institution to provide personnel to the institution to perform duties or provide services that employees of the institution would normally perform or provide.” • The employer is responsible for reporting TRS retirees employed by a third-party entity and paying surcharges, if applicable. <p>UTHealth used two account codes in PeopleSoft FMS to record third-party entities: Account 67274 (Temporary Employment Agencies) and Account 67240 (Consultant Services-Other). The Payroll and the Human Resources departments are not always involved in the process of hiring retirees through a third-party entity; therefore, the list of retired employees hired through a third-party entity may not be complete.</p>
<p>Recommendation #4</p>	<p>We recommend Payroll management work with applicable departments and employees to develop and implement a process to obtain a list of all employees, including those working through third-party entities.</p>
<p>Rating</p>	<p>Medium</p>
<p>Management Response</p>	<p>Payroll management team will work on implementing policy and procedure with the various departments in UTH to streamline a workflow process to identify third-party entities that are TRS members.</p>
<p>Responsible Party</p>	<p>Bete Su Williams, Director – Payroll & Benefits</p>
<p>Implementation Date</p>	<p>March 1, 2019</p>

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Issue #5	<p>A&AS reviewed TRS guidelines on demographic information and noted the following:</p> <ul style="list-style-type: none"> • As part of the Employer Audits, “TRS Internal Audit staff test active member census data for accuracy. These tests focus on the following data elements: gender, date of birth, date of hire or years of service, eligible compensation, and termination or retirement date.” • Employers are required to submit the employees’ demographic report on a monthly basis. The purpose of this is to create and maintain information for TRS participants. <p>A&AS reviewed a random sample of 20 employees for accuracy of demographic information and noted the following:</p> <ul style="list-style-type: none"> • One employee, who was in ORP, showed a hire date of September 1, 1990 in PeopleSoft HCM; however, source documents showed a date of September 1, 1985. • One employee showed the hire date of June 1, 2015 in PeopleSoft HCM; however, source document Form I-9 showed a date of May 27, 2015 as the employee’s first day of employment. • One employee showed a hire date of October 24, 2014 in PeopleSoft HCM; however, source document Form I-9 showed a date of October 20, 2014 as the employee’s first day of employment.
Recommendation #5	We recommend Payroll and Human Resources develop and implement a process to ensure demographic information in PeopleSoft HCM matches supporting documents and TRS.
Rating	Medium

Management Response #5a	Payroll Management will establish collaboration with HR and SDR to ensure demographic information documented in the HCM matches supporting documentation.
Responsible Party	Bete Su Williams, Director – Payroll & Benefits
Implementation Date	September 1, 2019

Management Response #5b	Human Resources will develop an audit report to compare data from the i9 system to the hire date in PeopleSoft. We will then make corrections on the i9 to match the PeopleSoft data. Estimate 3-6 months for development and programming. First report to be run September 1, 2019 with monthly reports going forward.
Responsible Party	Naga Krishna Kadiyala, Executive Director, Employee Services & Human Resources Technology
Implementation Date	September 1, 2019