



TRA Internal Audit
Fiscal Year 2022 Audit Plan

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Chief Audit Executive

Approved by TRA Audit Committee
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Approved by TRA Board of Trustees
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Executive Summary

Professional and Statutory Requirements

As required by the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors (IIA) and by the TRA Internal Audit (IA) Charter, the following Internal Audit Plan is submitted for **Fiscal Year 2022**.

Activities were identified by conducting risk assessments, consulting with TRA management, and auditor judgment.

TRA Internal Audit is independent of management and provides objective assurance and consulting services designed to add value and improve TRA's operations.

Internal Audit at TRA

Internal Audit complies with the IIA *Standards* and has adopted the IIA's definition of internal auditing as TRA's internal audit mission statement.

TRA Internal Audit provides independent, objective assurance and consulting activities designed to add value and improve operations. Internal Audit will assist TRA in accomplishing its management objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and various governance processes.

The Internal Audit Charter governs the administration of Internal Audit at TRA. Audit reports are issued to the Executive Team, Management Team and TRA Audit Committee.

Professional Organizations

TRA and/or the Internal Auditor are members of the following professional auditing and accounting organizations: Association of Public Pension Fund Auditors (APPFA), Institute of Internal Auditors (IIA), Government Finance Officers Association (GFOA), Public Pension Financial Forum (P2F2), and Association of Certified Fraud Examiners (ACFE).

Certifications

TRA's Chief Audit Executive has experience in both public and private accounting and is a Certified Public Accountant (CPA), Certified Employee Benefit Specialist (CEBS), and Certified Internal Auditor (CIA). TRA's Staff Auditor is a Certified Fraud Examiner (CFE). These credentials require annual continuing professional education to maintain a license or designation.

Executive Summary

Quality Assurance

Internal Audit complies with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)* which requires a program of quality assurance of annual internal or external quality assurance reviews.

Internal Control

TRA follows the *Standards for Internal Control in the Federal Government* (Green Book). This framework follows closely the internal control system from the *Internal Control – Integrated Framework* as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), but is adapted for a governmental environment.

Risk Assessment

Risk assessment is defined as “a systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events.” TRA is responsible for specifying organizational objectives and for identifying and assessing the risks related to achieving those objectives. Internal Audit is responsible for reviewing and evaluating the results of the assessments. Risk assessments are conducted annually (control environment, operations, financial statements) and periodically/as needed (information technology, security).

Although this Internal Audit Plan contemplates a wide-ranging scope of activities, it does not provide coverage for all of TRA’s components or systems. Internal Audit maximizes the limited resources to provide reasonable coverage to the activities that are believed to require the most attention based on the risk assessment results.

2021 TRA Risk Assessment Results

The 2021 Risk Assessment process involved a questionnaire and a certification. The questionnaire asked each manager to recap process changes as a result of the pandemic, TRA's response to the pandemic, changes to their team or department in 2020, future impacts to TRA and their team or department and what should be audited by Internal Audit. Questionnaire responses were provided to the Audit Committee in March 2021.

In FY2021, TRA implemented the Risk Management solution through Workiva. This process requires process owners to evaluate and certify objectives, risks, and controls specific to their process against the 12 risk factors below. Risk rankings are based on the number of risk factors present. This model follows closely the risk assessment model used by the executive branch agencies within the State of Minnesota.

1. Priority Services (Benefit Payments)	2. Material to Financial Statements	3. Funding Source Related
4. Sensitive Data	5. Documentation or Update Needed	6. Personnel Changes
7. Technology Change	8. Fraud, Waste, Abuse	9. Reputational Risk
10. Change in Law or Regulation	11. Complex Business Process	12. Audit Findings or Internal Control Weaknesses

Objectives are linked to one of the four Strategic Planning Goals: Engagement and Education, Fund Integrity Balanced with Equity in Plan Provisions, Engaged, Empowered, High-Performing Workforce, and Risk-Intelligent Organization.

Based on the risk assessment methodology, TRA has no objectives with risks rated High. The majority of the objectives have a Low risk rating. Below are the objectives with a Medium risk, their risk factors, strategic planning goal(s), and Internal Audit response.

Department	Objective / Business Process	Risk Factors	Strategic Planning Goal	Internal Audit Response
Accounting	The monthly annuity payment file is uploaded accurately, completely, and timely with MMB and US Bank.	-Priority Services -Material to Financial Statements -Sensitive Data -Fraud, Waste, Abuse -Reputational Risk	Fund integrity balanced with equity in plan provisions	<i>Executive Team Review</i>
Executive	Benefit payments (retirement annuities, disability and death benefits) are processed accurately, completely, and timely.	-Priority Services -Material to Financial Statements -Sensitive Data -Reputational Risk -Complex Business Process	Fund integrity balanced with equity in plan provisions	Member Benefit Payments Audit
Pension Operations	The monthly annuity payment file is prepared and reconciled accurately, completely, and timely (Process payments).	-Priority Services -Material to Financial Statements -Sensitive Data -Reputational Risk -Complex Business Process	Fund integrity balanced with equity in plan provisions	<i>Executive Team Review</i>

2021 TRA Risk Assessment Results

Department	Objective / Business Process	Risk Factors	Strategic Planning Goal	Internal Audit Response
Accounting	Member refunds are made only to eligible members and are processed accurately, completely, and timely.	<ul style="list-style-type: none"> -Material to Financial Statements -Sensitive Data -Documentation or Update Needed -Fraud, Waste, Abuse -Reputational Risk -Change in Law or Regulation -Complex Business Process 	Fund integrity balanced with equity in plan provisions	Member Refunds Audit
Accounting	The cash receipts process follows applicable guidance (state statute, policies, procedures, etc.)	<ul style="list-style-type: none"> -Priority Services -Funding Source Related -Fraud, Waste, Abuse -Reputational Risk -Change in Law or Regulation 	Fund integrity balanced with equity in plan provisions	Cash Receipts Audit
Accounting	Cash receipts are processed timely and are recorded correctly in .NET, SWIFT, and the general ledger.	<ul style="list-style-type: none"> -Material to Financial Statements -Funding Source Related -Sensitive Data -Fraud, Waste, Abuse -Reputational Risk -Change in Law or Regulation 	Fund integrity balanced with equity in plan provisions	Cash Receipts Audit
Accounting, Data Integrity	GASB68 information provided to employers follows applicable guidance and is accurate, complete, and timely.	<ul style="list-style-type: none"> -Priority Services -Material to Financial Statements -Personnel Changes -Reputational Risk -Complex Business Process 	Engagement and Education	Review of GASB68 Employer Allocation spreadsheet and notes
Accounting	The Annual Financial Report follows applicable guidance and is prepared timely and reviewed for accuracy.	<ul style="list-style-type: none"> -Priority Services -Material to Financial Statements -Documentation or Update Needed -Personnel Changes -Technology Change -Reputational Risk. 	Fund integrity balanced with equity in plan provisions	Review of Annual Comprehensive Financial Report
Data Integrity	Demographic data provided by employers follows applicable guidance and is accurate, complete, and is received timely.	<ul style="list-style-type: none"> -Priority Services -Material to Financial Statements -Sensitive Data -Documentation or Update Needed -Reputational Risk 	Fund integrity balanced with equity in plan provisions	Employer Payroll Audits

2021 TRA Risk Assessment Results

Department	Objective / Business Process	Risk Factors	Strategic Planning Goal	Internal Audit Response
Accounting, Data Integrity	Payroll reporting and remittances received from employers (K-12 and charter schools) is accurate, complete, and timely.	-Priority Services -Material to Financial Statements -Funding Source Related -Documentation or Update Needed -Reputational Risk	Fund integrity balanced with equity in plan provisions	Employer Payroll Audits
Accounting, Data Integrity	Payroll reporting and remittances received from employers (Minnesota State and other central payroll) is accurate, complete, and timely.	-Priority Services -Material to Financial Statements -Funding Source Related -Sensitive Data -Documentation or Update Needed -Reputational Risk	Fund integrity balanced with equity in plan provisions	Central Payroll Audit (NEW)
Executive	Trustees have sufficient expertise and are provided sufficient training and information to oversee the administration of the pension fund.	-Priority Services -Funding Source Related -Documentation or Update Needed -Personnel Changes -Reputational Risk	Fund integrity balanced with equity in plan provisions	<i>Executive Team Review</i>
Executive	The Executive Team is responsible for the overall policy, operations, and planning for TRA.	-Priority Services -Material to Financial Statements -Funding Source Related -Sensitive Data -Fraud, Waste, Abuse -Reputational Risk -Complex Business Process	-Engagement and education -Fund integrity -Engaged workforce -Risk-intelligent organization	<i>Executive Team Review</i>
Accounting, Executive	Investments comply with state Statute, IRS regulations, and other guidance.	-Priority Services -Material to Financial Statements -Funding Source Related -Reputational Risk -Complex Business Process	Fund integrity balanced with equity in plan provisions	<i>Executive Team Review</i>
Executive	Proposed legislation considers additional costs or funding obligations so that the system is funded appropriately and consistently.	-Priority Services -Funding Source Related -Reputational Risk -Change in Law or Regulation -Complex Business Process	Fund integrity balanced with equity in plan provisions	<i>Executive Team Review</i>

2021 TRA Risk Assessment Results

Department	Objective / Business Process	Risk Factors	Strategic Planning Goal	Internal Audit Response
Systems	TRA properly manages IT hardware and software.	<ul style="list-style-type: none"> -Priority Services -Sensitive Data -Documentation or Update Needed -Personnel Changes -Technology Change -Reputational Risk -Change in Law or Regulation -Complex Business Process 	Risk-intelligent organization	<i>Executive Team Review</i>
Executive	Employee evaluations are performed timely.	<ul style="list-style-type: none"> -Priority Services -Sensitive Data -Documentation or Update Needed -Personnel Changes -Reputational Risk 	<ul style="list-style-type: none"> -Engagement and education -Fund integrity -Engaged workforce -Risk-intelligent organization 	<i>Executive Team and MMB Review</i>
Executive	TRA promotes equal opportunity and objectivity in the hiring and selection process.	<ul style="list-style-type: none"> -Priority Services -Sensitive Data -Documentation or Update Needed -Personnel Changes -Reputational Risk -Complex Business Process 	Engaged, empowered, high-performing workforce	<i>Executive Team and MMB Review</i>
Executive	TRA employee personnel records (paper and electronic) are accurate and maintained.	<ul style="list-style-type: none"> -Priority Services -Sensitive Data -Documentation or Update Needed -Personnel Changes -Reputational Risk -Change in Law or Regulation -Complex Business Process 	Engaged, empowered, high-performing workforce	<i>Executive Team and MMB Review</i>
Executive	Position description duties are clearly defined and communicated to employees.	<ul style="list-style-type: none"> -Documentation or Update Needed -Personnel Changes -Reputational Risk -Change in Law or Regulation 	<ul style="list-style-type: none"> -Engagement and education -Fund integrity -Engaged workforce -Risk-intelligent organization 	<i>Executive Team and MMB Review</i>

FY2022 Audit Plan - Audits

Audit Planning Approach

There are three main categories of activities in the Internal Audit Plan (Operational Audits, Employer Payroll Audits, and Projects). The time frame indicated is tentative and may change. Status reports will be provided at each Audit Committee meeting.

Audits

Audits are identified through the annual risk assessment process and through interviews with TRA staff. Audits review controls and procedures, test transactions, and assess evidence available in order to conclude on an audit objective. All completed audit reports are sent to Management, the Audit Committee, and the Board of Trustees.

IT Audits: Internal Audit does not perform IT audits. TRA has contracted with a third party to perform a validation of IT audit procedures conducted by TRA Security and Technology staff. Internal Audit may be consulted during the course of the work performed but the final report and outcomes are not within the scope of Internal Audit.

Employer Payroll Audits

Employer payroll audits evaluate an employer's reporting practices for eligibility determinations, payroll reporting and contribution remittances. At the conclusion of the audit, employers receive an evaluation letter.

Projects

Projects generally involve work that does not result in opinions or suggestions for improvement. The results of the work performed on projects may or may not result in a written report.

Title	Objectives	Scope	Expected Timing
Member Refunds	Determine that member refunds are calculated accurately, completely, and timely.	FY2021	August - September 2021
Administrative Expenses	Determine that administrative expenses are paid accurately, completely, and timely. Determine that SWIFT incompatible access is sufficiently mitigated.	FY2021	August - September 2021
Cash Receipts	Determine that cash receipts are recorded accurately, timely and completely. Determine that SWIFT incompatible access is sufficiently mitigated.	FY2021	July - August 2021
Expense Reimbursements	Determine that the expense reimbursements process is performed according to statutes, policies and/or bargaining agreements.	FY2021	July - September 2021
Annual Base Salary Reporting	Determine that FY2021 annual base salary information is obtained and input accurately into .NET.	FY2022	August 2021
Member Benefit Payments	Determine that member benefit payments are paid accurately, completely, and timely.	July 2021 January 2022	September 2021 March 2022
Member Benefit Calculations	Determine that member benefit estimates have been calculated accurately, completely, and timely. Minnesota State Purchase of Service.	FY2021	October – December 2021
Administrative Reviews	Administrative reviews are performed accurately, timely and completely.	FY2021	January 2022
Investment Certification Process	Determine that the investment certification / decertification process with SBI is accurate, complete, and performed timely.	FY2021	July 2021
Member Leaves	Determine that member leaves have been administered accurately, timely, and completely.	FY2021	November 2021 – January 2022

FY2022 Audit Plan – Employer Payroll Audits

Internal Audit audits employers (K-12 and charter schools) to assess their compliance with salary and contribution reporting and eligibility determination requirements. Employers are selected through a risk-assessment process (# of active members). As TRA is notified of the closing of employer units, Internal Audit will attempt to perform a compliance review prior to closing.

In FY2022, Internal Audit expects to review FY2021 payroll data for approximately 59 employer units.

Org No	Org Name	# Members	Last Review Period	Org No	Org Name	# Members	Last Review Period
S0001	Minneapolis - Special School Dist #1	3,779	FY2016	02889	Lake Park-Audubon District - ISD #2889	85	
00196	Rosemount-Apple Valley-Eagan - ISD #196	2,616		02169	Murray County Central - ISD #2169	74	
00623	Roseville - ISD #623	674	CY2014	02835	Janesville-Waldorf-Pemberton - ISD #2835	74	
00181	Brainerd - ISD #181	584		04105	Great River School	70	
00287	Interm School District #287	503	CY2010	02134	United South Central - ISD #2134	70	
00012	Centennial - ISD #12	500		00032	Blackduck - ISD #32	66	
00016	Spring Lake Park - ISD #16	490	FY2010	00601	Fosston - ISD #601	65	
00911	Cambridge-Isanti - ISD #911	422	2013	00253	Goodhue - ISD #253	56	
00318	Grand Rapids - ISD #318	376	FY2010	00414	Minneota - ISD #414	54	
00015	St Francis - ISD #15	347	FY2010	02884	Red Rock Central - ISD #2884	48	
00916	NE Metro Interm School Dist #916	328		02754	Cedar Mountain - ISD #2754	47	
04017	MN Transitions Charter School	179	FY2011	04219	Northeast College Prep Charter School	47	
02149	Minnewaska Area - ISD #2149	126		00495	Grand Meadow - ISD #495	45	
02899	Plainview-Elgin-Millville ISD #2899	125		06083	Southern Minnesota Education Consortium	44	
02769	Morris Area Schools - ISD #2769	102		04215	Sejong Academy	41	
00182	Crosby-Ironton - ISD #182	100		04227	Art and Science Academy	38	
04078	MN International Middle School	97		00914	Ulen - Hitterdal -ISD #914	37	
02342	West Central Area - ISD #2342	95		06026	W Central Education Dist # 6026	37	
00741	Paynesville - ISD #741	90		00402	Hendricks - ISD #402	36	
00002	Hill City - ISD #2	85		02907	Round Lake/Brewster - ISD #2907	35	
00500	Southland - ISD #500	74		00935	Fergus Falls Spec Ed Coop # 935	31	
00924	North Central Service Coop # 924	74		00698	Floodwood - ISD #698	28	

FY2022 Audit Plan – Employer Payroll Audits

Org No	Org Name	# Members	Last Review Period	Org No	Org Name	# Members	Last Review Period
04049	Northwest Passage High School	20		04243	North Metro Flex Academy	24	
04107	Voyageurs Expeditionary School	19		00264	Herman - ISD #264	19	
00921	Southeast Service Coop # 921	16		04164	Laura Jeffrey Academy	17	
04036	Face to Face Academy	14		04208	Nasha Shkola Charter School	16	
04229	Jane Goodall Environmental Sciences Acad	10		04237	Metropolitan Education for Future Employ	12	
04031	Jennings Experiential High School	6		04144	Green Isle Community School	8	
04177	Minisinaakwaang Leadership Academy	5		04080	Pillager Area Charter School	5	

FY2022 Audit Plan - Projects

Title	Objectives / Scope	Expected Timing
Risk Assessment / Annual Audit Plan	Perform the annual risk assessment with input from the business units and prepare the annual audit plan.	January through March 2022
ACFR, Actuarial Report (Funding), GASB67 (Reporting)	Review the accuracy and completeness of the ACFR to ensure compliance with applicable accounting and reporting standards. Review the accuracy and completeness of the actuarial report, including data and assumptions. Review the accuracy and completeness of the GASB67 report, including data and assumptions.	November through December 2021
GASB68 (Employer Allocation)	Determine that the employer allocation performed under GASB68 conforms to the standard and to TRA policies.	September 2021 through April 2022

Training

The Chief Audit Executive holds the following designations: Certified Public Accountant (CPA), Certified Employee Benefits Specialist (CEBS), and Certified Internal Auditor (CIA). The Staff Auditor holds the Certified Fraud Examiner designation.

A Certified Public Accountant in Minnesota may choose to hold an active or inactive license. Maintaining an active license requires annual reporting of applicable certified professional education (CPE). CPE requirements are set by the Minnesota State Board of Accountancy. Currently, the requirement is a minimum of 20 hours each reporting year (fiscal year) and a minimum of 120 hours in any given three-year reporting period. Additionally, a minimum of eight hours in any given three-year period must be in regulatory or behavioral ethics.

Certified Internal Auditor CPE requirements are set by the Institute of Internal Auditors. Currently, a minimum of 40 hours is required each reporting year (calendar year). At least two of those hours must be for ethics.

Certified Employee Benefit Specialists are encouraged to complete applicable CPE every two years. No formal reporting is required.

Certified Fraud Examiner CPE requirements are set by the Association of Certified Fraud Examiners (ACFE). At least 20 hours of CPE are required every 12-month period with 10 of those hours directly related to the detection and deterrence of fraud and 2 hours directly related to ethics.

<u>Name</u>	<u>Designation</u>	<u>Reporting Period</u>	<u>Hours Required</u>	<u>Hours Completed</u>	<u>Ethics</u>
Leslie Nagel	CPA (active)	FY2018 – FY2020	120.00	158.80	9.30
Leslie Nagel	CIA	CY2020	40.00	99.50	5.00
Ruth Krupa	CFE	n/a	20.00	n/a	n/a

Note that new CFE's are exempt from CPE reporting requirements from the day of certification through their anniversary month. Ruth Krupa became a CFE on January 14, 2021; her first reporting period will be June 2021 – May 2022.