TRA Internal Audit
Fiscal Year 2023 Audit Plan

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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 2023**.

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, Board of Trustees 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), and Public Pension Financial Forum (P2F2).

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). 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.

2022 TRA Risk Assessment Results

The 2022 Risk Assessment process involved a questionnaire and worksheet. The questionnaire asks each manager to recap changes to their team or department in 2021, future impacts to TRA and to their team or department, and any risks that TRA didn't adequately address. They were also asked what they would like to see audited by Internal Audit. Questionnaire responses were provided to the Audit Committee in March 2022.

Managers evaluate objectives and risks specific to their team or department in risk assessment worksheets using the twelve risk factors listed below. Risk rankings are based on the number of risk factors present. This risk assessment model follows closely the risk assessment model used by the executive branch agencies within the State of Minnesota.

Priority Services	In Need of Documentation or Update	Reputational Risk
Audited as Material to the ACFR	Personnel Changes	Change in Law or Regulation
Funding Source Related	Technology Change	Complex Business Process
Sensitive Data	Fraud, Waste, Abuse	Audit Findings / Internal Control Weaknesses

Based on this risk assessment methodology, the objectives listed below have a Medium risk. TRA has no objectives with risks rated High. The majority of the objectives have a Low risk rating.

Department	Objective / Business Process	Strategic Planning Goal	Internal Audit Response
Accounting	The administrative expense process follows applicable guidance and is accurate, complete, and timely.	Fund integrity balanced with equity in plan provisions	Administrative Expenses Audit
Accounting	The budget process (annual and biennial) is accurate, complete, and timely.	Fund integrity balanced with equity in plan provisions	*Manager budget review*
Accounting	Cash receipts are processed accurately and timely, and are recorded correctly in .NET, SWIFT, and the general ledger.	Fund integrity balanced with equity in plan provisions	Cash Receipts Audit
Accounting	The contracting process follows applicable guidance and is accurate, efficient, and timely.	Fund integrity balanced with equity in plan provisions	Administrative Expenses Audit
Accounting	GASB68 information provided to employers follows applicable guidance and is accurate, complete, and timely.	Fund integrity balanced with equity in plan provisions	Internal Audit Review (Project)
Accounting	The Annual Comprehensive Financial Report follows applicable guidance and is prepared timely and reviewed for accuracy.	Fund integrity balanced with equity in plan provisions	Internal Audit Review (Project)
Accounting	The fixed asset accounting and inventory process follows applicable guidance and is accurate, complete, and timely.	Fund integrity balanced with equity in plan provisions	Fixed Asset Audit
Accounting	The general ledger process (journal entries, reconciliation, reporting) is accurate, complete, and timely.	Fund integrity balanced with equity in plan provisions	Internal Audit Review (Project)

2022 TRA Risk Assessment Results

Department	Objective / Business Process	Strategic Planning Goal	Internal Audit Response
Accounting	Employee (TRA) payroll is processed accurately and timely, and is recorded correct in SWIFT and the general ledger.	Fund integrity balanced with equity in plan provisions	*Manager budget review*
Accounting	The purchasing process follows applicable guidance and is accurate, efficient, and timely.	Fund integrity balanced with equity in plan provisions	Administrative Expenses Audit
Accounting	The cash receipts process follows applicable guidance (state statute, policies, procedures, etc.).	Fund integrity balanced with equity in plan provisions	Cash Receipts Audit
Accounting	Tax withholding and other deductions from benefit payments or refunds are accurate, authorized, reported and remitted to appropriate authorities.	Fund integrity balanced with equity in plan provisions	Member Refunds Audit Member Benefit Payments Audit
Executive Team	The Executive Team is responsible for the overall policy, operations, and planning for TRA.	Engaged, empowered, hi-performing workforce Engagement and education Fund integrity balanced with equity in plan provisions Risk-intelligent organization	*Executive Team Review*
Executive Team	TRA promotes equal opportunity and objectivity in the hiring and selection process.	Engaged, empowered, hi-performing workforce Engagement and education Risk-intelligent organization	*Executive Team Review*
Executive Team	Employee evaluations are performed timely.	Engaged, empowered, hi-performing workforce Engagement and education Risk-intelligent organization	*Executive Team Review*
Information Technology	TRA has documented and tested Business Continuity and Disaster Recovery Plans.	Risk-intelligent organization	*Executive Team Review*
Information Technology	TRA properly manages IT hardware and software.	Risk-intelligent organization	*Executive Team Review*
Investments	Investments comply with state Statute, IRS regulations, and other guidance.	Fund integrity balanced with equity in plan provisions	ACFR - Internal Audit Review (Project)
Member Refunds	Member refunds are made only to eligible members and are processed accurately, completely, and timely.	Fund integrity balanced with equity in plan provisions	Member Refunds Audit

Audit Planning Approach

There are three main categories of activities in the Internal Audit Plan (Audits, Compliance Reviews 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.

FY2023 Audit Plan - Audits

Title	Objectives / Scope	Period	Expected Timing
Member Refunds	Determine that member refunds are calculated accurately, completely, and timely. Refunds are made only to eligible members.	FY2022	August 2022
Administrative Expenses	Determine that FY2022 administrative expenses are paid accurately, completely, and timely. Determine that incompatible business system access is sufficiently mitigated.	FY2022	August – September 2022
Cash Receipts	Determine that FY2022 cash receipts are recorded accurately, timely and completely. Determine that incompatible business system access is sufficiently mitigated.	FY2022	August – September 2022
Expense Reimbursements	Determine that the FY2022 expense reimbursements process is performed according to statutes, policies and/or bargaining agreements.	FY2022	August – September 2022
Annual Base Salary Reporting	Determine that FY2022 (used to calculate FY2023 service credit) annual base salary information is obtained and input accurately into .NET.	FY2023	July - August 2022
Member Benefit Payments	Determine that member benefit payments are paid accurately, completely, and timely.	July 2022 January 2023	September 2022 March 2023

These audits will be performed as resources allow:

Administrative Reviews	Determine that the Administrative Review process is performed accurately, completely, and timely. (Reviews of salaries used for calculations that exceeds 95% of the Governor's salary)
Shared Expense Allocation	Determine that expenses shared with MSRS and/or PERA are calculated correctly and invoiced and collected timely.
Investment Certification Process	Determine that the investment certification / decertification process with SBI is accurate, complete, and performed timely.
Member Benefit Calculations	Determine that member benefit estimates have been calculated accurately, completely, and timely. Population = Minnesota State Purchase of Service.

FY2023 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 FY2023, Internal Audit expects to review FY2022 payroll data for these 51 employer units.

Org No	Org Name	# Members	Last Review Period	Org No	Org Name	# Members	Last Review Period
00011	Anoka-Hennepin	3,743	FY2017	00840	St. James	96	n/a
00022	Detroit Lakes	360	2013	00861	Winona	297	2013
00110	Waconia	391	2013	00882	Monticello	464	2013
00113	Walker-Hackensack	90	n/a	00883	Rockford	144	n/a
00194	Lakeville	936	FY2018	02071	Lake Crystal-Wellcome	109	n/a
00196	Rosemount-Apple Valley-Eagan	2,782	FY2015	02143	Waterville-Elysian-Morristown	92	n/a
00204	Kasson-Mantorville	183	n/a	02149	Minnewaska	134	n/a
00206	Alexandria	403	2013	02165	Hinckley-Finlayson	113	n/a
00255	Pine Island	127	n/a	02180	MACCRAY	95	n/a
00270	Hopkins	706	FY2018	02342	West Central Area	95	n/a
00279	Osseo	1,928	FY2016	02580	East Central	92	n/a
00288	Southwest Metro Intermediate District	162	n/a	02769	Morris Area Schools	96	n/a
00347	Willmar	415	2013	02805	Zumbrota-Mazeppa	112	n/a
00413	Marshall	281	2013	02897	Redwood Area Schools	117	n/a
00484	Pierz	121	n/a	02899	Plainview-Elgin-Millville	121	n/a
00492	Austin	497	2013	02909	Rock Ridge Public Schools	202	n/a
00656	Faribault	414	2013	04015	Community of Peace	99	n/a
00690	Warroad	107	n/a	04207	Higher Ground	91	n/a
00709	Duluth	857	FY2016	04078	MN International Middle School	109	n/a
00720	Shakopee	696	FY2015	04116	Lakes International Language Academy	160	n/a
00726	Becker	253	2013	04185	DaVinci Academy of Art and Science	100	n/a
00727	Big Lake	121	n/a	04213	Prodeo Academy	98	n/a
00738	Holdingford	96	n/a	06017	MN Transitions-Connections Academy	186	n/a
00741	Paynesville	92	n/a	06051	Goodhue	147	n/a
00742	St. Cloud	1,082	FY2015	06076	Northland Learning Center	159	n/a
00821	Menagha	93	n/a				

FY2023 Audit Plan - Projects

Title	Objectives / Scope	Expected Timing
Risk Assessment / Annual Audit Plan	Conduct the annual risk assessment with input from the business units and prepare the annual audit plan.	February through April 2023
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 2022
GASB68 (Employer Allocation)	Determine that the employer allocation performed under GASB68 conforms to the standard and to TRA policies.	September 2022 through April 2023

Training

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

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.

Designation	Reporting Period	Hours Required	Hours Completed	Ethics
CPA (active)	FY2019 – FY2021	120.00	194.80	9.50
CIA	CY2021	40.00	59.00	2.00