

# TMRS SOC1 Final Results

## June 24, 2016

# Agenda

**SOC1 Introduction: Typical Parties**

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**Results for IT Objectives**

# SOC1 Intro: Typical Parties

(Service Organization)



KPMG (Service Auditor )



SOC1



Municipalities  
(User Organizations)

SOC1

SOC1

SOC1



CPA Firms  
of Municipalities (User  
Organizations)

# SOC1 Timeline

<b>Dates</b>	<b>Activity</b>
<b>April 16, 2015</b>	SOC1 Period Begins
<b>September/October 2015</b>	Interim Testing (Dual Testing)
<b>February/March 2016</b>	Final Testing (Dual Testing)
<b>April 30, 2016</b>	SOC1 Period Ends
<b>May 31, 2016</b>	Release SOC1 Report

# Content of SOC 1 Report

- ▶ **Section 1** – Independent service auditor’s report. (KPMG’s Opinion)
- ▶ **Section 2** – Management’s Assertion
- ▶ **Section 3** – Service Organization’s description of controls.
  - Control Framework based on COSO
    - Control Environment
    - Risk Assessment
    - Information and Communication
    - Monitoring
    - Control Activities (By Control Objective)
- ▶ **Section 4** – Information provided by the independent service auditor; includes a description of the service auditor’s tests of operating effectiveness and the results of those tests (Type II report only) and other information that the service auditor feels may be useful to a user organization and their auditors.
- ▶ **Section 5** – Not Used (Optional Section for “Other Information Provided by Service Organization)

SECTION	RESPONSIBILITY
I. Independent Service Auditors’ Report	KPMG
II. Management Assertion	TMRS
III. TMRS Description of Controls and Procedures	TMRS
IV. Control Objectives, Related Controls, and Tests of Operating Effectiveness	KPMG and TMRS

# Results of Process Objectives

Control Objective	Results
Control Objective 1 – Census Reports	<p>7 controls tested: Exceptions noted.</p> <p>Control 1.02 - One of fifteen plan changes selected was not entered accurately in NextGen. The self-review of plan changes did not identify an inaccurate entry in one of fifteen plan changes selected. (The 2016 effective date was corrected prior to December 2015.)</p>
Control Objective 2 – Contributions	8 controls tested: No exceptions
Control Objective 3 – Income Allocation	2 controls tested: No exceptions
Control Objective 4 – Fund Balances	3 controls tested: No exceptions
Control Objective 5 – Distributions	<p>17 controls tested: Exception noted</p> <p>Control 5.15 – two managers with access to create new members and set up new payees.</p>

# Results of IT Objectives

Control Objective	Results
Control Objective 6 – System Changes	4 controls tested: No exceptions
Control Objective 7 – Applications Maintenance	5 controls tested: No exceptions
Control Objective 8 – Logical Access	<p>10 controls tested: Exceptions noted</p> <p>Control 8.02 – Hypervisor password configurations for three local accounts not set according to policy (lockout, complexity, or expiration enforced).</p> <p>Control 8.09 – No evidence of review for two of 118 users, and untimely correction of access changes needed for two of six users.</p>
Control Objective 9 – Backups	4 controls tested: No exceptions
Control Objective 10 – Physical Access	<p>6 controls tested: Exception noted</p> <p>Control 10.04 – No evidence of timely removal for one of five terminated employees.</p>

# Overall Opinion

The SOC1 opinion was unqualified, noting all 10 control objectives were presented fairly, designed appropriately, and operating effectively.



# Contacts

## KPMG

- ▶ Eddie Holt, SOC1 Partner
- ▶ Susan Warren, Audit Partner
- ▶ Chris Stone, Director