



THE UNIVERSITY OF TEXAS AT DALLAS

OFFICE OF INTERNAL AUDIT
800 W. CAMPBELL RD. SPN 32, RICHARDSON, TX 75080
PHONE 972-883-4876 FAX 972-883-6846

August 28, 2018

Dr. Richard Benson, President,
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of Benefits Proportionality as required by the General Appropriations Act and as part of our fiscal year 2018 Audit Plan. The objective of our audit was to ensure that benefits proportionality by fund are accurately calculated and applied according to the established guidelines set forth in Rider 8, page III-45, of the General Appropriations Act (85th Legislature, Conference Committee Report). The report is attached for your review.

Based on the audit procedures performed, Benefits Proportionality by Fund Reports (APS 011) for appropriation years 2015 through 2017, as submitted to the State Comptroller, were materially accurate and no reimbursement is due. The process in place to prepare the annual report is sufficient to ensure benefits funding proportionality is applied according to guidelines established in Article IV, Section 6.08, of the General Appropriations Act.

The State Auditor's Office (SAO) states that *"the higher education institution benefits proportional internal audit should disclose in the audit report (a) the aggregate dollar amount of all instances of noncompliance with the proportionality requirements identified during the audit, regardless of materiality, and (b) the status of any resulting reimbursement payments to the Comptroller of Public Accounts"*. In accordance with the SAO guidelines, a schedule of errors is included in the Appendix. There errors are considered immaterial, and no reimbursement is due to the State of Texas.

We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens, CPA, CIA, CRMA
Chief Audit Executive



Executive Summary

Audit Objective and Scope

Internal Audit is required to complete an audit on benefit proportionality and to ensure that benefit proportionality by fund is accurately calculated and applied according to the established guidelines set forth in Rider 8, page III-45, of the General Appropriations Act (85th Legislature, Conference Committee Report). The required scope of the audit is fiscal years 2015 through 2017.

Conclusion

Based on the audit procedures performed, Benefits Proportionality by Fund Reports (APS 011) for appropriation years 2015 through 2017, as submitted to the State Comptroller, were materially accurate and no reimbursement is due. The process in place to prepare the annual report is sufficient to ensure benefits funding proportionality is applied according to guidelines established in Article IV, Section 6.08, of the General Appropriations Act.

Responsible Vice President

Mr. Terry Pankratz, Vice President for Budget and Finance

Responsible Parties

- Mr. Greg Argueta, Director of Accounting & Financial Reporting
- Ms. Melody Monjabez, Manager, Accounting & Financial Reporting

Staff Assigned to Audit

Project Leader: Hiba Ijaz, CPA, CIA , Senior Auditor

Staff: Caitlin Cummins, Staff Auditor; David Meeds, Student Intern

Report Distribution

Members of the UT Dallas Institutional Audit Committee

External Members

- Ms. Lisa Choate, Chair
- Mr. Gurshaman Baweja
- Mr. Bill Keffler
- Mr. Ed Montgomery
- Ms. Julie Knecht

UT Dallas Members

- Dr. Richard Benson, President
- Dr. Hobson Wildenthal, Executive Vice President
- Dr. Kyle Edgington, Vice President for Development and Alumni Relations
- Mr. Frank Feagans, Vice President and Chief Information Officer
- Dr. Gene Fitch, Vice President for Student Affairs
- Dr. Calvin Jamison, Vice President for Facilities & Economic Development
- Dr. Inga Musselman, Provost and Vice President for Academic Affairs
- Dr. Joseph Pancrazio, Vice President for Research
- Mr. Terry Pankratz, Vice President for Budget and Finance
- Mr. Timothy Shaw, University Attorney, ex-officio

Responsible Parties

- Mr. Greg Argueta, Director of Accounting & Financial Reporting
- Ms. Melody Monjabez, Manager, Accounting & Financial Reporting

External Agencies

- The University of Texas System Audit Office
- Legislative Budget Board
- Governor’s Office
- State Auditor’s Office
- Sunset Advisory Commission



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Background

Rider 8, page III-45 of the General Appropriations Act (85th Legislature, Conference Committee Report) requires each higher education institution, excluding public community/junior colleges, to conduct an internal audit of benefits proportional by fund. The audit must examine fiscal years 2015 through 2017 and be conducted using methodology approved by the State Auditor's Office¹.

The State Auditor's Office outlines the following audit areas, at minimum, to ensure compliance²:

- Auditing compliance with applicable requirements prescribed by Section 6.08, page IX-28, the General Appropriations Act ((85th Legislature, Conference Committee Report)³.
- Auditing the accuracy of the report demonstrating proportionality required by Section 6.08(g).
- Disclosing in the audit report (a) the aggregate dollar amount of all instances of noncompliance with the proportionality requirements identified during the audit, regardless of materiality, and (b) the status of any resulting reimbursement payments to the Comptroller of Public Accounts.

For fiscal years 2015 through 2017, the Accounting and Financial Reporting team within the Office of Budget and Finance, oversaw processes to ensure benefit proportionality by fund. The University of Texas at Dallas has two funding sources for institution appropriations: General Revenue and General Revenue - Dedicated.

Audit Objective

The objective of the audit was to ensure that benefits proportionality by fund are accurately calculated and applied according to the established guidelines set forth in Rider 8, page III-45, of the General Appropriations Act (85th Legislature, Conference Committee Report).

Scope and Methodology

The scope of this audit was fiscal years 2015 through 2017 and our fieldwork concluded on July 30, 2018. Our audit procedures were consistent with the methodology prescribed by the State Auditor's Office to comply with Rider 8, and included the following:

- A review of source information obtained from the internal accounting system and the State's Uniform Statewide Accounting System (USAS)
- A review of the benefits proportionality reporting process

¹ <https://www.sao.texas.gov/InternalAudit/#benefits>

² <https://www.sao.texas.gov/InternalAudit/#benefits>

³ http://www.lbb.state.tx.us/Documents/GAA/General_Appropriations_Act_2018-2019.pdf



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- Validation of the accuracy of information and proportional funding calculations reported to the State Comptroller on the APS011 reports
 - Testing to verify eligibility of employee benefits paid with appropriated funds.

We conducted our examination in conformance with the guidelines set forth in The Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing. The Standards are statements of core requirements for the professional practice of internal auditing.

Additionally, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Conclusion

Based on the audit work performed, we conclude that the process in place to prepare the Benefits Proportionality by Fund Report (APS 011) for fiscal years 2015 through 2017 is sufficient to ensure benefits funding proportionality is applied according to the guidelines established in Article IX, Section 6.08 of the General Appropriations Act. However, we did note immaterial errors in balances reported and proportional funding calculations for the Benefits Proportionality by Fund Reports (APS 011) for fiscal years 2015 through 2017. No reimbursement payments are due to the Comptroller of Public Accounts for these errors. Refer to the Appendix for detailed information regarding the errors noted.

We appreciate the courtesy and cooperation received from the management and staff in Accounting and Financial Reporting as part of this audit.



Appendix

APS 011 Error Schedule

The State Auditor’s Office (SAO) states that the higher education institution benefits proportional internal audits should disclose in the audit report (a) the aggregate dollar amount of all instances of noncompliance with the proportionality requirements identified during the audit, regardless of materiality, and (b) the status of any resulting reimbursement payments to the Comptroller of Public Accounts.

The following error schedule was created in order to comply with SAO guidelines. The “Error Amount” represents the total amount that was not included in Benefits Proportionality by Fund report (APS 011). The “Aggregate Error Cost Effect” for the fiscal year represents the change in the required benefits proportionality adjustment if the error did not occur. In all instances noted below, in aggregate, the errors noted on the report negatively affected the University. Thus, no reimbursement is due to the State of Texas.

| Fiscal Year | APS 011 Report Section | APS 011 Report Section Name | Financing Source | Error Amount | Error Description | Refund Status | Reasons For Error |
|--|------------------------|-------------------------------------|------------------------------------|---------------------|--|----------------------|---|
| 2015 | Section I | Funding Proportionality Calculation | General Revenue – Dedicated (GR-D) | \$ (372,498.00) | Tuition exemption excluded in calculation of the GR-D financing sources amount | | One tuition exemption excluded in the calculation of the GR-D financing sources amount. The error cost the University \$45,320.21 due to the change in the revenue source proportions and the local funds adjustment. |
| 2015 Aggregate Error Cost Effect: | | | | \$ 45,320.21 | Cost to the University | No Refund Due | |
| 2016 | Section I | Funding Proportionality Calculation | GR- D | \$ 3,426.00 | Overstatement of tuition exemption and/or tuition allowance | | Exemption amounts were included twice. The error decreased the GR-Dedicated proportionality by 0.0013%. |
| 2016 | Section II | Benefits Worksheets | General Revenue | \$ (969.02) | OASI costs not excluded | | Effect of manual HR entries not considered. |



| Fiscal Year | APS 011 Report Section | APS 011 Report Section Name | Financing Source | Error Amount | Error Description | Refund Status | Reasons For Error |
|--|------------------------|-----------------------------|-----------------------------|------------------|---|----------------------|---|
| 2016 | Section II | Benefits Worksheets | General Revenue | \$ 61.07 | Group Insurance costs not included | | Effect of manual HR entries not considered. |
| 2016 | Section II | Benefits Worksheets | General Revenue | \$ 39.37 | TRS costs not included | | Effect of manual HR entries not considered. |
| 2016 | Section II | Benefits Worksheets | General Revenue | \$ (1,125.28) | ORP costs not excluded | | Effect of manual HR entries not considered. |
| 2016 Aggregate Error Cost Effect: | | | | \$ 333.72 | Cost to the University | No Refund Due | |
| 2017 | Section II | Benefits Worksheets | General Revenue - Dedicated | \$ 468.05 | ORP "Other" costs should not have been excluded from GR-D benefit costs | | Effect of manual HR entries not considered for ORP. |
| 2017 Aggregate Benefit Cost Effect: | | | | \$ 276.81 | Cost to the University | No Refund Due | |