



**Employee Benefits Proportionality  
(Fiscal Years 2015, 2016, and 2017)  
Internal Audit Report  
Project # 2018-24  
October 12, 2018**

Reviewed by:

  
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President

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**Objective**

Ensure that proportional employee benefits by fund are accurately calculated and applied according to the established guidelines set forth in Article IX Section 6.08 of the General Appropriations Act for fiscal years 2015, 2016, and 2017.

**Conclusion**

The UTSA Accounting Office and the Vice President for Business Affairs identified errors with the *Benefits Proportionality by Fund Reports* (APS011) Forms for fiscal years 2015, 2016, and 2017. The revised APS011 Forms will be submitted to the State Comptroller's Office in November 2018. The State Comptroller's Office will review the forms and will determine if reimbursements are due to any State agencies.

**Background**

Rider 8 of the General Appropriations Act (85th Legislature, Conference Committee Report) required each higher education institution, to conduct an internal audit of benefits proportional by fund using a methodology approved by the State Auditor's Office.

Employee Benefits include employer contributions for:

- Old Age and Survivors Insurance (OASI - Social Security and Medicare)
- Group Insurance Premiums (GIP - employee fringe benefits)
- Teacher Retirement System (TRS)
- Optional Retirement Program(ORP)

Under the proportionality requirements, higher education institutions are prohibited from utilizing a disproportionate amount of funds from State Appropriations to cover employee benefits as compared to the portion of State Appropriations used to cover employee earnings. The UTSA Accounting Office utilizes the State Comptroller's Office provided APS 011 Form at the end of the fiscal year to calculate an estimate of total proportionality benefits funded from State Appropriations compared to actual State Appropriations were used. The difference is either paid back to the State or requested as a refund.

**Scope and Methodology**

Our audit procedures were consistent with the methodology prescribed by the State Auditor's Office to comply with Rider 8, and included:

- reviewing of source information obtained from the internal accounting system and the State's Uniform Statewide Accounting System (USAS)
- reviewing the benefits proportionality reporting process
- validating the accuracy of information and proportional funding calculations reported to the State Comptroller on the *Benefits Proportionality by Fund Report* (APS 011)
- testing to verify eligibility of employee benefits paid with appropriated funds. Sample size for testing was determined following guidance on internal control testing for compliance from the American Institute for Certified Public Accountants

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**Audit Results**

The following errors were identified in APS011 for fiscal years 2015, 2016, and 2017. An appendix is included that summarizes the (a) aggregate dollar amount of all instances of noncompliance with the proportionality requirements, and (b) status of any resulting reimbursement payments to any State agencies.

Tuition Coding Errors

When UTSA's Legislative Appropriations Request for fiscal years 2020 and 2021 was prepared, the Vice President for Business Affairs discovered a coding error in PeopleSoft that caused Statutory Tuition and Fees Revenue to be understated. The State of Texas Comptroller's Office was consulted and Statutory Tuition and Fees Revenue for fiscal year 2017 was corrected in the Legislative Appropriations Request for 2020 and 2021. While the APS11 calculations were completed with the assumption that coding was correct, the State Comptroller's Office has requested a restatement of the APS011 calculations for fiscal years 2015, 2016 and 2017 to account for the Statutory Tuition Revenue coding correction.

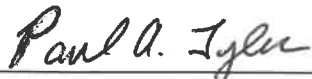
Interest Revenue Error

Additionally, the Vice President of Business Affairs determined that interest revenue outside of that accrued from temporarily holding statutory tuition and fees in UTSA's accounts prior to transmittal to the State treasury should not be reported on the APS 11 for FY2018 forward and not at all for FY2015, FY2016, and FY2017. UTSA's Accounting Office consulted with the State Comptroller's Office and determined that UTSA may define what should be included or excluded based upon the General Appropriations Act.

Teacher Retirement System

As previously disclosed in our 2017 Annual Financial Report Audit, UTSA over-allocated to State Appropriations and under-allocated to Non-State Appropriations for the employer portion of the obligation to the Teacher Retirement System (TRS) for FY15 and FY16. This incorrect allocation was a result of a change in process with the conversion in Accounting Systems in FY14 (from Define to PeopleSoft). The UTSA Accounting Office discovered this error. The incorrect allocations had **no effect** on employee TRS contributions, total TRS benefits subject to proportionality, or *estimated* proportional benefits between State Appropriations and Non-State Appropriations. The FY15 APS 011 was amended to reflect the correct allocation of *actual* TRS benefits paid by State Appropriations and Non-State Appropriations. The UTSA Accounting Office worked with TRS to correct the over-allocation of State Appropriations by obtaining credit against future allocations to State Appropriations over the next 12-18 months. The initial credit to UTSA was \$6.7M. As of August 2018, \$5.3M of the credit has been received with \$1.4M remaining. UTSA's Accounting Office estimates the remaining credit will be drawn down by January 2019. The Director of Accounting now reviews calculations of TRS employer contributions monthly to ensure accuracy between State Appropriations and Non-State Appropriations.

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This engagement was conducted in accordance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

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Appendix – APS011 Error Schedule

| Fiscal Year       | Benefit Type | Financing Source  | Error Amount          | Refund Status  | Reasons for Error  |
|-------------------|--------------|---|-----------------------|--|--|
| 2015              | OASI         | Fund 001 - State Appropriations                               | \$ (285,734)          | UTSA Accounting is pending a response from the State Comptroller's Office on how to proceed with the refund for OASI and ORP.<br><br>The limit for GIP funds were met in FY15 and no refund will be due.<br><br>TRS return of funds will be adjusted against the remaining credit of \$1.4M. | Tuition and Fees Coding Error and Interest Revenue Calculation Revision.   |
| 2015              | ORP          | Fund 001 - State Appropriations                               | \$ (122,043)          |  |  |
| 2015              | GIP          | Fund 001 - State Appropriations                               | \$ (570,408)          |  |  |
| 2015              | TRS          | Fund 001 - State Appropriations                               | \$ (138,560)          |  |  |
| <b>2015 Total</b> | <b>Total</b> |   | <b>\$ (1,116,744)</b> | <i>Total of benefit proportionality required adjustment variances.</i>   |  |
| 2016              | OASI         | Fund 001 - State Appropriations                               | \$ (231,307)          | UTSA Accounting is pending a response from the State Comptroller's Office on how to proceed with the refund for OASI, GIP and ORP.<br><br>TRS return of funds will be adjusted against the remaining credit of \$1.4M.   |  |
| 2016              | ORP          | Fund 001 - State Appropriations                               | \$ (96,063)           |  |  |
| 2016              | GIP          | Fund 001 - State Appropriations                               | \$ (447,478)          |  |  |
| 2016              | TRS          | Fund 001 - State Appropriations                               | \$ (119,864)          |  |  |
| <b>2016 Total</b> | <b>Total</b> |   | <b>\$ (894,711)</b>   | <i>Total of benefit proportionality required adjustment variances.</i>   |  |
| 2017              | OASI         | Fund 001 - State Appropriations                               | \$ (155,553)          | Since 2017 is still open, UTSA will be sending a revised APS 011 with the correct adjustments along with the 2018 APS 011.   |  |
| 2017              | GIP          | Fund 001 - State Appropriations                               | \$ (292,883)          |  |  |
| 2017              | TRS          | Fund 001 - State Appropriations                               | \$ (83,155)           |  |  |
| 2017              | ORP          | Fund 001 - State Appropriations                               | \$ (59,237)           |  |  |
| <b>2017 Total</b> | <b>Total</b> |   | <b>\$ (590,828)</b>   | <i>Total of benefit proportionality required adjustment variances.</i>   |  |
| 2015-2016         | TRS          | Fund 249 - General Revenue Dedicated/Non-State Appropriations | \$6.7M                | UTSA has received \$5.3M of the credit from the State Comptroller's Office as of August 2018. UTSA will receive the remaining \$1.4M by January 2019.  | TRS Employer Portion Over-Allocation due to change in the process with the conversion from the old Accounting System, DEFINE, to PeopleSoft. |