

# Audit Report

## Benefits Proportionality by Fund

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March 2022

## Summary – Benefits Proportionality by Fund

We recently completed an audit of Benefits Proportionality at the University of Texas at Arlington (UTA). The background, audit objective, scope, and ratings are detailed on pages 5 and 6 of this report.

Overall, we determined that proportional benefits by fund were accurately calculated and in accordance with the established guidelines. However, the audit identified the need to improve timeliness. Specific observations from the audit are provided below:

Recommendations	Rating	Count
1	Priority	0
	High	0
	Medium	0
	Low	1

Observations	Recommendations	Rating	Page
A. <a href="#">Timeliness and Accuracy of Reporting</a>	1. Accounting Services should update its procedures to help ensure timely and accurate filing of the APS 11 report.	Low	Page 3

Further details can be found on the following pages.

We appreciate the outstanding courtesy and cooperation received from Accounting Services.

## Observation 1 – Timeliness and Accuracy of Reporting

Low

Institutions of higher education with General Revenue Fund appropriations, among other sources of financing, are required to file a Benefits Proportional by Method of Finance Report Form (APS 11) demonstrating proportionality with the Comptroller and State Auditor by November 19 for the prior fiscal year ending August 31. Per the reporting instructions, any required benefit payment adjustments between methods of finance must also be completed annually by November 19.

In our review of the APS 11 reports submitted for fiscal years (FY) 2020 and 2021, we noted that the report for FY 2021 was submitted on December 21, 2021 (32 days after the due date). According to Accounting Services management, some appropriation funds for CORE Research were not spent by year-end which required processing payroll corrections to move expenditures to these appropriated cost centers. Additionally, while preparing the APS 11 report, Accounting Services determined it would be advantageous to reimburse additional salary expenditures instead of retiree premium share since the premium share contribution from the state is capped. This required depositing funds back to the State Treasury and processing salary corrections. On November 19, 2021, Accounting Services informed the Texas Comptroller of Public Accounts of these corrections and they agreed that the report should be submitted once the corrections were processed.

For FY 2020, the APS 11 report was submitted by the deadline, however, it was later revised and re-submitted on March 11, 2021, upon the request of the Comptroller. This was due to the omission of interest earned on license plate revenue in the originally submitted report. Accounting Services management stated that they have updated their procedures to help ensure:

- License plate revenue and any related interest is appropriately included in the APS 11 report.
- Cost centers are appropriately budgeted to help ensure they are spent by year-end.
- Salary expenditures are reimbursed first before reimbursing retiree premium share.

### Recommendation:

We recommend that Accounting Services update its procedures to help ensure all applicable accounts are included in the APS 11 report and that the report is submitted by the due date.

## Observation 1 – Timeliness and Accuracy of Reporting (Continued)

Low

### Management Response:

UTA has updated its procedures in order to ensure all applicable accounts are recorded in the APS 11 Report, including those with no net impact to the calculation outcome due to subsequent exclusion, such as license plate income.

In the future, UTA will submit its proportionally accurate APS 11 report by the due date specified in the General Appropriations Act. Subsequent changes required and approved through the State Comptroller's Office will be reserved until after that filing, as allowed by law.

### Target Implementation Date:

January 28, 2022

### Responsible Party:

Executive Director of Accounting Services

# Background and Audit Objective

## Background

The Texas Comptroller of Public Accounts, under the authority of the General Appropriations Act (GAA), requires agencies and institutions to ensure payments of benefit costs are proportional to a state agency's or institution of higher education's method of finance, unless another legal provision prohibits proportionality. Agencies and institutions that process reimbursement payrolls for salary must also ensure proper reimbursement for all related benefit costs to ensure accurate amounts are used in the proportionality calculations.

Additionally, the GAA requires each institution of higher education, excluding Public Community/Junior Colleges, to conduct an internal audit of benefits proportional by method of finance and submit a copy of the internal audit to the Legislative Budget Board, Comptroller of Public Accounts, and State Auditor's Office no later than August 31, 2022. The audit must examine fiscal years 2019, 2020, and 2021, and must be conducted using a methodology approved by the State Auditor's Office (fiscal year 2019 was included in the prior audit, as noted in the Office of Internal Audit report dated July 2020).

## Audit Objective

The audit's objective was to ensure that proportional benefits by fund are accurately calculated and in accordance with the established guidelines set forth in Article IX Section 6.08 of the General Appropriations Act. Specifically, we were to determine:

- The validity of Uniform Statewide Accounting System (USAS) bookkeeping entries;
- Whether benefits were paid proportional by fund; and
- Whether employees were eligible to be paid from General Revenue funds.

# Audit Scope & Methodology

## Audit Scope and Methodology

The scope of the audit included fiscal years 2020 and 2021. The audit methodology complied with Texas Government Code, Section 2102.011, and included the following areas:

- Auditing compliance with applicable requirements prescribed by Section 6.08, page IX-28 of the General Appropriations Act (87th Legislature).
- Auditing the accuracy of the report demonstrating proportionality required by Section 6.08(g).

Our audit procedures were consistent with the methodology prescribed by the State Auditor's Office to comply with Rider 8, and included review of source information obtained from the internal accounting system and the State's Uniform Statewide Accounting System (USAS), review of the benefits proportionality reporting process, validation of the accuracy of information and proportional funding calculations reported to the State Comptroller on the APS 11 reports, and 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 (AICPA). In addition, we relied upon work conducted in previous audits by our office, our external audit firm, and the Texas State Auditor's Office to gain assurance about the reliability of data in the internal accounting system and USAS.

## Ranking Criteria – Benefits Proportionality by Fund

### Ranking Criteria

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for these rankings are as follows:

Priority	An issue identified by an internal audit that, if not addressed on a timely basis, could directly impact achievement of a strategic or important operational objective of UTA or the UT System as a whole.
High	A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level.
Medium	A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level.
Low	A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level.

None of the findings from this review are deemed as a “Priority” finding.

## Distribution – Benefits Proportionality by Fund

To: Teik Lim *President ad interim, UTA*  
Randal Rose *Audit Committee Chairman*

### Audit Committee:

Pranesh Aswath *Interim Provost and Vice President for Academic Affairs, UTA*  
Shelby Boseman *University Attorney and Chief Legal Officer, UTA*  
John Davidson *Associate Vice President and Interim Chief Financial Officer, UTA*  
Helen Dickey *Partner, Harris & Dickey LLP*  
Harry Dombroski *Dean, College of Business, UTA*  
Jacqueline Fay *FY 2022 Faculty Senate Chair (Associate Professor, English), UTA*  
John Hall *Vice President for Administration and Campus Operations, UTA*  
Chris Mitchell *Chief Diversity Officer, Crowe LLP*  
Bryan Samuel *Vice President for Diversity, Equity and Inclusion, UTA*  
Jewel Washington *Chief Human Resources Officer, UTA*

From: David Price *Chief Audit Executive, UTA*



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cc: Jennifer Chapman *Compliance Officer, UTA*  
Carolyn Record *Assistant Vice President for Accounting Services, UTA*  
Andrea Wright *Executive Director for Accounting Services, UTA*

### Auditor in Charge:

Swapna Reddy *Auditor I, UTA*