

Internal Audit Report

Benefits Proportionality by Fund

July 2020

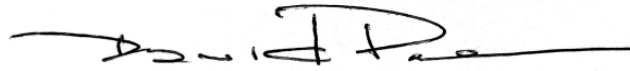
Distribution – Benefits Proportionality by Fund

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

Audit Committee:

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From: David Price *Chief Audit Executive, UTA*



cc: Jennifer Chapman *Compliance and Ethics Officer, UTA*
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Auditor in Charge:
Nick Pappas *Senior Auditor II, UTA*

Audit Objective, Scope & Work Performed – Benefits Proportionality by Fund

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 GAA. 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

The scope of the audit included fiscal years 2018 and 2019. 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 GAA (85th Legislature).
- Auditing the accuracy of the report demonstrating proportionality required by Section 6.08(g).

Work Performed

- Reviewed support for bookkeeping entries in the USAS to determine the nature, purpose, and propriety of those transactions.
- Reviewed USAS Reconciliations for completeness and accuracy.
- Traced amounts reported on the APS011 reports to supporting documentation to validate the reports for completeness and accuracy. Verified that appropriate adjustments were made based on the proportionality calculations.
- Verified the eligibility of employees whose salaries were paid from state appropriated funds.

Background & Summary – Benefits Proportionality by Fund

Background

The Texas Comptroller of Public Accounts, under the authority of the 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, 2020. The audit must examine fiscal years 2017, 2018, and 2019, (fiscal year 2017 was included in the prior audit as noted in the Office of Internal Audit Memorandum dated August 27, 2018), and must be conducted using a methodology approved by the State Auditor's Office.

Summary

Based on audit procedures performed, Benefits Proportionality by Fund Reports (APS 011) for fiscal years 2018 and 2019, 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 the guidelines established in Article IX, Section 6.08, of the General Appropriations Act (GAA).

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 011 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.