

## Report on Benefits Proportionality by Fund Audit #21-116

We have completed our audit of Benefits Proportionality by Fund for The University of Texas Health Science Center at Houston (UTHealth) as required by Rider 8, page III-46, of the General Appropriations Act (86th Legislature, Conference Committee Report), which requires each higher education institution (excluding public community/junior colleges) to conduct an internal audit of benefits proportional by method of finance using a methodology approved by the State Auditor's Office (SAO). Furthermore, the Rider requires that the audit examine appropriation years (AY) 2017 through 2019, and states a copy of this report must be submitted to the Legislative Budget Board, the Comptroller of Public Accounts, and the SAO no later than August 31, 2020. However, due to the ongoing assessment by the State Comptroller, this created a delay in finalizing the APS 011 report. Therefore, we were not able to submit the results of our audit by the required deadline.

The audit results for AY 2017 have been submitted in the previous Benefits Proportionality audit, and therefore, the scope of this year's audit included *Benefits Proportionality by Fund Reports* (APS 011) for AY 2018 and AY 2019 respectively. 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.

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Our audit procedures were consistent with the methodology prescribed by the SAO to comply with Rider 8, and included 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; validation of the accuracy of information and proportional funding calculations reported to the State Comptroller on the APS 011 reports; as well as testing to verify eligibility of employee benefits paid from appropriated funds. The sample size for testing was determined by following guidance on internal control testing for compliance from the American Institute for Certified Public Accountants (AICPA).

In addition, we relied upon work conducted by our office in previous audits, our external audit firm, and the Texas SAO to gain assurance regarding the reliability of data in the internal accounting system and USAS. The audit was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

For AY 2018, we noted a change in the process due to the exclusion of accrued expenditures as required by the State Comptroller's office, as well as a difference in the "Less 90-day" calculation. The net effect was an under reimbursement of \$2,237.

For AY 2019, we noted differences in the "Less 90-day" and the Retiree Premium Sharing calculations, as well as the social security (OASI) amount. The net effect was an over reimbursement of \$2,410.

We would like to thank the Office of Finance and Business Services staff and management who assisted us during our review.



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Daniel G. Sherman, MBA, CPA, CIA  
Associate Vice President & Chief Audit Officer

**AUDITING & ADVISORY SERVICES ENGAGEMENT TEAM**

<b>AVP/CAO</b>	Daniel G. Sherman, MBA, CPA, CIA
<b>Audit Manager</b>	Nathaniel Gruesen, MBA, CIA, CFE, CIAS, CCSA
<b>Auditor Assigned</b>	Casandra Wiley
<b>End of Fieldwork Date</b>	October 21, 2020
<b>Issue Date</b>	October 27, 2020

**Copies to:**

Audit Committee

Dr. Giuseppe Colasurdo, M.D. President - UTHealth

Scott C. Kelley, Executive Vice Chancellor for Business Affairs - UT System

Michael Tramonte, Senior Vice President, Finance and Business Services - UTHealth