



Office of Internal Audit

December 17, 2020

Mr. Cesario Valenzuela, CPA
CFO and Vice President for Business Affairs
The University of Texas Permian Basin
4901 E. University Boulevard
Odessa, Texas 79762

Dear Mr. Valenzuela:

We have completed our audit of Benefits Proportionality by Fund for the University of Texas Permian Basin (UT Permian Basin), as required by Rider 8, page III-48, of the General Appropriations Act (86th Legislature), which states that the audit is to examine fiscal years (FY) 2017 through 2019. Because our prior audit of proportional benefits included 2017, only 2018 and 2019 were included in this year's audit. We conducted our audit in accordance with the methodology prescribed by the State Auditor's Office, and with the guidelines set forth in UTS129, and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

The objective of our audit was to ensure that proportional 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 (86th Legislature).

We found that for 2018, proportional benefits by fund were accurately calculated and applied according to established guidelines. For 2019, combined errors in the APS 011 worksheet calculations led to over and underpayments between GR Fund #0001 and GR-Dedicated Fund #0251, requiring an adjusting journal transfer. Please refer to the attached report for a detailed description of the audit.

We wish to express our appreciation to the management and staff of UT Permian Basin for the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink that reads "Glenn S. Spencer".

Glenn Spencer, CPA, CGMA
Chief Audit Executive

cc: Dr. Sandra K. Woodley, President
Felecia Burns, Director of Accounting
Marcus Celaya, Assistant Director of Accounting

The University of Texas Permian Basin



Benefits Proportionality by Fund FYs 2018 and 2019

**Office of Internal Audit
4901 E. University Boulevard
Odessa, Texas 79762**

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Executive Summary

We have completed our audit of Benefits Proportionality by Fund for the University of Texas Permian Basin (UT Permian Basin), as required by Rider 8, page III-48, of the General Appropriations Act (86th Legislature), which states that the audit is to examine fiscal years (FY) 2017 through 2019. Because our prior audit of proportional benefits included 2017, only 2018 and 2019 were included in this year’s audit.

Risk Level	Finding
Medium	Errors in 2019 APS 011 worksheet calculations

Objective
 The objective of our audit was to ensure that proportional 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 (86th Legislature).

**OVERALL
CONCLUSION**

For 2018, proportional benefits by fund were accurately calculated and applied according to the established guidelines. For 2019, combined errors in the APS 011 worksheet calculations led to over and underpayments between GR Fund #0001 and GR-Dedicated Fund #0251, requiring an adjusting journal transfer.

Scope and Methodology
 Our audit procedures were consistent with the methodology prescribed by the State Auditor’s Office, and included the following procedures:

- Reviewing source information obtained from the internal accounting system and the State’s Uniform Statewide Accounting System (USAS)
- Testing a sample to verify eligibility of employee benefits paid with appropriated funds
- Reviewing the benefits proportionality reporting process
- Validating the accuracy of information and proportional funding calculations reported to the Comptroller of Public Accounts on the APS 011 reports

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.

We conducted our audit in accordance with the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

Risk Ranking Criteria

Risk Level	Definition
PRIORITY	An issue or condition, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Permian Basin or UT System as a whole.
HIGH	Risk that is considered to be substantially undesirable and results in a medium to high probability of significant adverse effects to UT Permian Basin either as a whole or at the college/department/unit level.
MEDIUM	Risk that is considered undesirable and has a low to medium probability of adverse effects to UT Permian Basin either as a whole or at the college/department/unit level. Without appropriate controls, the risk will occur some of the time.
LOW	Considered to have minimal probability of adverse effects to the UT institution either as a whole or at the college/ school/unit level. Even with no controls, the exposure to UT Permian Basin will be minimal.

Audit Results

Finding: 2019 APS 011 worksheet errors

Assessed Level of Risk: Medium

A. GR-Dedicated financing sources overstated in 2019

In FY 2019, the amount of financing sources in GR-Dedicated Fund #0251 was overstated by \$3,632,868.59. This amount consisted primarily of tuition revenue that was booked in 2018 and included in the 2018 APS 011 calculations. This overstatement affected the allocation percentages based upon GR and GR-Dedicated funding sources.

B. Misstatement of benefits paid in 2019 APS 011 worksheet calculations

For 2019 calculations, the following over/understatements in benefits reported as paid were noted on the APS 011 worksheet:

- For OASI, overstatement of GR benefits paid by \$124,611.43, and understatement of GR-Dedicated benefits paid by \$119,812.11.
- For ORP, understatement of GR benefits paid by \$115,541.78, and overstatement of GR-Dedicated benefits paid by \$117,572.53.

The net effects are shown in the Error Schedule (Appendix A). The result is that GR Fund #0001 was overpaid by \$330,158.50 for OASI; overpaid by \$125,854.51 for TRS; and underpaid by \$37,870.77 for ORP. This resulted in a net overpayment from GR-Dedicated Fund #0251 to GR Fund #0001 of \$418,142.24.

Recommendation

UTPB should initiate the appropriate adjusting transfer between the GR and GR-Dedicated Funds for FY 2019. For future APS 011 worksheet calculations, a secondary review should be made of key formulas and calculations that support the annual APS 011 report prior to its filing with the State Comptroller.

Management's Response/Action Plan

Management agrees with this recommendation. The Office of Accounting will work with the appropriate appropriation control officer at the State Comptroller's Office to prepare the necessary transfers and adjustments related to the funding corrections. The Office of Accounting has implemented a process of preparing interim Benefits Proportional by Method of Finance reports on a quarterly basis in an effort to review, identify, and make any necessary adjustments between GR Fund #0001 and GR-Dedicated Fund #0251. Included in this process will be a secondary review by a supervisor of all calculations and supporting documentation within the Office of Accounting. We believe this will help insure the accuracy of the annual report submitted to the VPBA for final approval. Management believes the implementation of these new procedures will help improve the accuracy and efficiency of future APS 011 reports for The University of Texas Permian Basin.

Expected Implementation Date

January 31, 2021

Persons Responsible for Implementation

Felecia Burns, Director of Accounting
Marcus Celaya, Assistant Director of Accounting

Conclusion

For 2018, proportional benefits by fund were accurately calculated and applied according to established guidelines. For 2019, combined errors in the APS 011 worksheet calculations led to over and underpayments between GR Fund #0001 and GR-Dedicated Fund #0251, requiring an adjusting journal transfer.

Appendix A

Error Schedule 2018 - 2019

	Fiscal Year	Benefit Type	Financing Source	Error Description	Error Amount	Refund Status	Document Number and Effective Date
	2018	OASI	GR Fund #0001	None	-		
	2018	TRS	GR Fund #0001	None	-		
	2018	ORP	GR Fund #0001	None	-		
Subtotal	2018				-	No Under/Overpayment to GR Fund #0001	
	2019	OASI	GR Fund #0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251; Misstatement of benefits paid on APS 011.	(330,158.50)	Overpayment to GR Fund #0001	
	2019	TRS	GR Fund #0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	(125,854.51)	Overpayment to GR Fund #0001	
	2019	ORP	GR Fund #0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251; Misstatement of benefits paid on APS 011.	37,870.77	Underpayment to GR Fund #0001	
Subtotal	2019				(418,142.24)		
Total	2018-2019				(418,142.24)		