

November 26, 2014

Dr. Daniel, President  
Ms. Lisa Choate, Chair of the Internal Audit Committee,

We have completed our audit of Benefits Proportionality by Fund for UT Dallas as requested by Governor Rick Perry. Based on audit procedures performed, the revised *Benefits Proportionality by Fund Report* (APS 011) for appropriation year (AY) 2013, as submitted to the State Comptroller on September 15, 2014, was materially accurate and no additional 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.

The scope of our audit included benefits funding proportionality reporting for AY 2013. The risk of material error in reporting accuracy for years prior to AY 2013 was also assessed. Based on the audit results of AY 2013, and because UT Dallas Budget and Finance personnel had already conducted a self-audit and made corrections to the APS 011 reports for AY 2011 – 2013, we performed limited review procedures for AY 2012 and 2011.

Our audit methodology included review of source information obtained from the UT Dallas internal accounting system and the State's Uniform Statewide Accounting System (USAS). 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 our internal accounting system and USAS. Based on that work, we determined that the information in these systems was sufficiently reliable for the purposes of this audit. In addition, we reviewed the benefits proportionality reporting process with relevant staff, validated the accuracy of information and proportional funding calculations reported to the State Comptroller on the *Benefits Proportionality by Fund Report* (APS 011), and tested to verify eligibility of employee benefits paid with appropriated funds. The sample size for testing was determined following guidance on internal control testing for compliance from the American Institute for Certified Public Accountants (AICPA). 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*.

Minor recommendations regarding the calculation process and supporting documentation for the APS 11 were discussed with management.

We appreciate the courtesies and considerations extended to us from the Office of the Vice President for Budget and Finance during our engagement. Please let me know if you have any questions or comments regarding this audit.



Toni Stephens  
Institutional Chief Audit Executive

*UT Dallas Responsible Parties:*

Mr. Randy Rikel, Associate Vice President for Finance and Controller

*Members of the UT Dallas Audit Committee:*

External Members:

Mr. Bill Keffler  
Mr. Ed Montgomery  
Ms. Cynthia Trochu  
Dr. Hobson Wildenthal, Executive Vice President and Provost  
Dr. Calvin Jamison, Vice President for Administration  
Mr. Terry Pankratz, Vice President for Budget and Finance  
Dr. Andrew Blanchard, Vice President for Information Resources and Chief Information Officer  
Dr. Bruce Gnade, Vice President for Research  
Dr. Darrelene Rachavong, Vice President for Student Affairs  
Mr. Timothy Shaw, University Attorney

*The University of Texas System:*

Dr. Pedro Reyes, Executive Vice Chancellor for Academic Affairs  
Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer  
Alan Marks, Assistant Vice Chancellor of Academic Affairs and Athletics Counsel  
Mr. J. Michael Peppers, CIA, CRMA, CPA, FACHE, Chief Audit Executive  
Ms. Moshmee Kalamkar, CPA, CIA, Audit Manager

*State of Texas Agencies:*

Legislative Budget Board  
Governor's Office  
State Auditor's Office  
Sunset Advisory Commission