



February 29, 2016

Ms. Kelly Davis
Chief Financial Officer and Vice President
219 West Main Street
Arlington, TX 76019

Dear Ms. Davis,

We have completed our audit of Benefits Proportionality by Fund for The University of Texas at Arlington (UT Arlington), as required by Rider 8, page III-39, of the General Appropriations Act (84th Legislature, Conference Committee Report). The rider requires that the audit examine appropriation years (AY) 2012 through 2014. However, an internal audit of the proportionality of higher education benefits for AY 2013 was conducted during fiscal year 2015 at the request of the Governor. Therefore, the scope of this year's audit included only AY 2012 and 2014. For all three appropriation years, no errors were noted per review of the revised APS 011 reports. Our report on AY 2013 is included as Attachment 1.

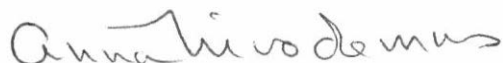
Based on audit procedures performed, *Benefits Proportionality by Fund Reports (APS 011)* for appropriation years 2012 through 2014, as originally submitted to the State Comptroller on November 19, 2012 (AY 12), November 19, 2013 (AY 13) and November 21, 2014; and revised and resubmitted on February 26, 2013 (AY 12), April 24, 2014 (AY 13) and November 5, 2015 (AY 14), 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.

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. 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*.

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We appreciate the courtesy and cooperation we received from the Accounting Services staff throughout this audit.

Sincerely,

A handwritten signature in cursive script that reads "Anna Nicodemus".

Anna Nicodemus
Interim Chief Audit Executive, Office of Internal Audit

cc: Dr. Vistasp M. Karbhari, President, UT Arlington
Dr. Linda Johnsrud, Interim Provost and Vice President for Academic Affairs, UT Arlington
Mr. John Hall, Vice President for Administration and Campus Operations, UT Arlington
Ms. Stephanie Scott, Associate Vice President, Business Affairs, UT Arlington
Ms. Andrea Wright, Executive Director, Accounting Services, UT Arlington
Mr. Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer, UT System
Mr. Ed Osner, Legislative Budget Board
Governor's Office of Budget, Planning and Policy
Internal Audit Coordinator, State Auditor's Office
Sunset Advisory Commission
UT System Audit Office



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MEMORANDUM

To: Kelly Davis
Vice President for Business Affairs and Controller

From: Ken Schroeder *Ken Schroeder*
Director, Office of Internal Audit

Date: November 26, 2014

Subject: Benefits Proportionality by Fund Audit

We have completed our audit of Benefits Proportionality by Fund for UT Arlington, as requested by Governor Rick Perry. Based on audit procedures performed, the *Benefits Proportionality by Fund Report* (APS 011) for appropriation year (AY) 2013, as submitted to the State Comptroller on November 19, 2013 and as revised and re-submitted on April 24, 2014, was materially accurate and appropriate proportional adjustments were made based upon APS 011 guidelines. 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. Risk of material error in reporting accuracy for years prior to AY 2013 was assessed based on audit results and determined to be low, thus additional testing of prior appropriation years was not performed.

Our audit methodology included review of source information obtained from the UT Arlington 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. 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*.

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Our audit of the Revised APS 011 form for AY 2013 resulted in no errors and UT Arlington Accounting Services Staff is commended for their due diligence in completing a self-assessment review.

We thank you and your staff for assistance during the audit. As always, should you have any questions, please contact me at x2-2018.

cc: Dr. Vistasp Karbhari -- President, UT Arlington
Dr. Ronald L. Elsenbaumer -- Provost and Vice President for Academic Affairs, UT Arlington
Mr. John Hall -- Vice President for Administration and Campus Operations, UT Arlington
Ms. Stephanie Scott -- Associate Vice President, Business Affairs, UT Arlington
Ms. Andrea Wright -- Executive Director, Accounting Services, UT Arlington
Dr. Pedro Reyes -- Executive Vice Chancellor for Academic Affairs, UT System
Mr. Randy Wallace -- Associate Vice Chancellor, Controller and Chief Budget Officer, UT System
Mr. Alan Marks -- Assistant Vice Chancellor of Academic Affairs & Athletics Counsel, UT System
Mr. J. Michael Peppers -- Chief Audit Executive, UT System
Ms. Moshmeee Kalamkar -- Audit Manager, UT System
Mr. Ed Osner -- Legislative Budget Board
Mr. Jonathan Hurst -- Governor's Office of Budget, Planning and Policy
Internal Audit Coordinator, State Auditor's Office
Mr. Ken Levine -- Sunset Advisory Commission