



THE UNIVERSITY OF TEXAS SYSTEM AT THE UNIVERSITY OF TEXAS AT DALLAS
OFFICE OF INTERNAL AUDIT
800 W. CAMPBELL RD. SPN 32
RICHARDSON, TX 75080
PHONE 972-883-4876 FAX 972-883-6864



March 7, 2016

Mr. Terry Pankratz
Vice President for Budget and Finance

We have completed our audit of Benefits Proportionality by Fund for UT Dallas, 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. 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, and AY2011 and 2012 were included in the audit due to corrections made by Finance to APS 011 reports for AY 2011 – 2013. Therefore, the scope of this year's audit included only AY 2014. Our report on AY 2011 - 2013 is included as Attachment 1.

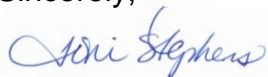
Based on audit procedures performed, *Benefits Proportionality by Fund Reports* (APS 011) for appropriation year 2014, as submitted to the State Comptroller, were materially accurate and no reimbursement is due. The process in place to prepare the annual report is sufficient to ensure benefits funding 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*.

We did note that controls over USAS reconciliations could be enhanced. Developing written procedures for preparing reconciliations, including maintaining support for balances and ensuring all appropriations are captured, will help ensure reconciliations are accurate and complete.

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.

Sincerely,



Toni Stephens
Institutional Chief Audit Executive

cc: Dr. Hobson Wildenthal, President *ad interim*
Dr. Kimberly Laird, Associate Vice President and Controller
Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer, UT System
UT System Audit Office

Attachment

Attachment 1
Internal Audit Report: *Benefits Proportionality by Fund*
Appropriation Year 2013



THE UNIVERSITY OF TEXAS AT DALLAS
800 West Campbell Rd., SPN 32, RICHARDSON, TX 75080 (972) 883-4876

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.

A handwritten signature in blue ink that reads "Toni Stephens".

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