

February 25, 2016

Ms. Andrea Marks
Vice President and Chief Financial Officer
7703 Floyd Curl Dr.
San Antonio, Texas 78229

Dear Ms. Marks,

We have completed our audit of Benefits Proportionality by Fund at The University of Texas Health Science Center at San Antonio, 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. The 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. Results for all three appropriation years are included in Attachment A, and our report on AY 2013 is included as Attachment B.

Based on audit procedures performed, the *Benefits Proportionality by Fund Report (APS 011)* for appropriation years 2012 through 2014, as submitted to the State Comptroller, were materially accurate; however, certain errors were identified. 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. All errors identified during the audit are described in Attachment A.

The combined effect of the errors for AY 2012 and AY 2014 totaled \$47,879 in underpayment of reimbursement due from the State and represents .072% of total employee benefits reimbursed by the State during these two years. Specifically, we noted the following:

- AY 2012 – Two errors in the APS 011 calculation primarily attributed to a *net* overpayment of reimbursement by the State totaling \$113,666 as follows:
 - The Dental Outpatient Clinic (DOPC) revenue was estimated on a monthly basis based on budgeted amounts and was inadvertently not adjusted to actual when the final APS 011 report was prepared.
 - The DOPC expense amount of employee benefits paid with local funds was input twice into the spreadsheet in error.
- AY 2014 – Three errors in the APS 011 calculation primarily attributed to a *net* underpayment of \$161,545 reimbursement due from the State as follows:

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- The formula used to calculate employer contributions made to TRS was not accurate resulting in an underpayment of reimbursement due from the State.
- Due to a delay in posting the accrual of employee benefits at year-end to the State's Uniform Statewide Accounting System (USAS), a manual correction was made erroneously to the APS 011 which resulted in an overpayment of reimbursement by the State.
- The 2013 employer contribution rate of 6% was used in the ORP calculations rather than the 6.6% rate as allowed in 2014 which resulted in an underpayment of reimbursement due from the State.

The Office of Accounting amended the APS 011 reports for AY2012 and AY2014 for the errors noted during this audit and resubmitted the reports to the State Comptroller. Furthermore, the internal controls related to the preparation of the APS 011 report were strengthened. These controls include adding notes/instructions to worksheets, linking worksheets and comparing totals to ensure the accuracy and completeness of the information reported.

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 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 on 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*.

Sincerely,



Angela D'Anna
Chief Audit Executive

cc: Michael E. Black, Senior Executive Vice President and Chief Operating Officer
Ginny Gomez-Leon, Assistant Vice President, Planning and Budget
William L. Henrich, M.D., President
Ralph Kaster, Director, Office of Accounting
Gerard Long, Ph.D., Assistant Vice President, Business Affairs
Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer, UT System

Attachment A
UT Health Science Center at San Antonio
Report Appendix: Summary of Errors

| | Appropriation Year | Benefit Type | Financing Source | Error Description | Error Amount | Refund Status | Document Number and Effective Date |
|-----------------|--------------------|--------------|------------------|--|------------------------|---------------|------------------------------------|
| | 2012 | OASI | GR Fund # 0001 | Combination of (1) Use of Budgeted Other E&G Patient income for rate calculation instead of Actual, and (2) Duplication of DOPC expense in two locations within local funding section portion. | (197,842.77) | | |
| | 2012 | TRS | GR Fund # 0001 | Combination of (1) Use of Budgeted Other E&G Patient income for rate calculation instead of Actual, and (2) Duplication of DOPC expense in two locations within local funding section portion. | 94,286.63 | | |
| | 2012 | ORP | GR Fund # 0001 | Combination of (1) Use of Budgeted Other E&G Patient income for rate calculation instead of Actual, and (2) Duplication of DOPC expense in two locations within local funding section portion. | (10,110.47) | | |
| Subtotal | 2012 | | | | \$ (113,666.61) | In Process | |
| | 2013 | | | None noted. | - | | |
| Subtotal | 2013 | | | | \$ - | No refund due | |
| | 2014 | OASI | GR Fund # 0001 | Fund adjustment calculation resulting from errors related to accrual correction. | (5,632.93) | | |
| | 2014 | TRS | GR Fund # 0001 | Formula error did not include all TRS benefits paid by the HSC. | 144,476.46 | | |
| | 2014 | ORP | GR Fund # 0001 | (1) Data entry error related to accrual correction and (2) use of 2013 contribution rate of 6% rather than 2014 rate of 6.6%. | 22,702.21 | | |
| Subtotal | 2014 | | | | \$ 161,545.74 | In Process | |
| Total | 2012-2014 | | | | \$ 47,879.13 | | |

Note:
Positive amounts represent money owed to Health Science Center
Negative amounts represent money owed to State



November 26, 2014

Ms. Andrea Marks
Vice President and Chief Financial Officer
7703 Floyd Curl Dr. MC#7866
San Antonio, Texas 78229

Dear Ms. Marks,

We have completed our audit of Benefits Proportionality by Fund at UT Health Science Center San Antonio, 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, was 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.

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 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 PeopleSoft 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*.

Sincerely,



Angela D'Anna
Chief Audit Executive

**cc: Dr. William Henrich, President
Mr. Michael Black, Senior Executive Vice President and Chief Operating Officer
Dr. Raymond Greenberg, Executive Vice Chancellor, Health Affairs, UT System
Ms. Ginny Gomez-Leon, Assistant Vice President, Planning and Budget
Mr. Gerard Long, Assistant Vice President, Business Affairs
Mr. J. Michael Peppers, Chief Audit Executive, UT System
Mr. Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer, UT System**