



February 25, 2016

Cheryl A. Sadro, CPA
Executive Vice President, Chief Business & Finance Officer
301 University Boulevard
Ashbel Smith Building, Suite 6.206
Galveston, TX 77555-0150

Dear Ms. Sadro,

We have completed our audit of Benefits Proportionality by Fund for The University of Texas Medical Branch at Galveston (UTMB Health), 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. Last year's 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 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 greatly appreciate the assistance provided by the Office of Finance during this engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly K. Hagara". The signature is fluid and cursive, written over a light gray horizontal line.

Kimberly K. Hagara, CPA, CIA, CISA, CRMA
Vice President, Audit Services, UTMB Health Galveston

Attachment

cc: David L. Callender, MD, President, UTMB Galveston
John B. States, Vice President Financial Accounting and Reporting, UTMB Galveston
J. Michael Peppers, Chief Audit Executive, UT System
Randy Wallace, Associate Vice Chancellor - Controller and Chief Budget Officer, UT System



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301 University Blvd.
Galveston, Texas 77555-0150
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11/25/2014

Cheryl A. Sadro, CPA
Executive Vice President, Chief Business Officer
301 University Boulevard
Ashbel Smith Building, Suite 6.206
Galveston, TX 77555-0150

Dear Ms. Sadro,

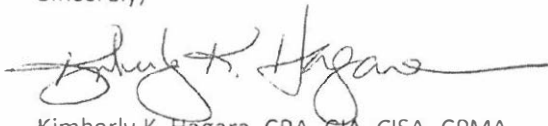
We have completed our audit of Benefits Proportionality by Fund for The University of Texas Medical Branch at Galveston (UTMB), as requested by Governor Rick Perry. Based on audit procedures performed, the *Benefits Proportionality by Fund Report* (APS 011) for appropriation year (AY) 2013, as submitted to the State Comptroller on November 15, 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. 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 UTMB's 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*.

We greatly appreciate the assistance provided by the Office of Finance during this engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly K. Hagara", with a long horizontal flourish extending to the right.

Kimberly K. Hagara, CPA, CIA, CISA, CRMA
Associate Vice President, Audit Services, UTMB Galveston

cc: David L. Callender, MD, President, UTMB Galveston
John B. States, Vice President Financial Accounting and Reporting, UTMB Galveston
J. Michael Peppers, Chief Audit Executive, UT System
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