



**THE UNIVERSITY OF TEXAS AT TYLER**  
**Office of Audit Services**  
3900 University Boulevard, Tyler, TX 75799 (903) 565-5644

February 29, 2016

Mr. William O'Donnell  
Vice President for Business Affairs and Chief Business Officer  
University of Texas at Tyler  
3900 University Blvd.  
Tyler, TX 75799

Dear Mr. O'Donnell,

We have completed our audit of Benefits Proportionality by Fund for The University of Texas at Tyler (UT Tyler) as required by Rider 8, page III-39, of the General Appropriations Act (84<sup>th</sup> 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. Results for all three appropriation years are included in Attachment 1, and our report on AY 2013 is included as Attachment 2.

Based on audit procedures performed, *Benefits Proportionality by Fund Reports* (APS 011) for appropriation year 2012 included erroneous amounts which resulted in a reimbursement of \$107,110.74 due from UT Tyler. A revised APS11 and payment should be submitted as soon as possible. The APS 11 for AY 2013 and 2014 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. All material errors identified during the audit are described in Attachment 1.

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*.

The original AY 2012 APS 11 was completed and approved by individuals who are no longer at UT Tyler. The exact amount of the benefits could not be verified to supporting documents. However, the differences in the APS 11 amounts reported and the detailed payroll reports on file were immaterial. We recommend detailed supporting documents, including USAS screen shots, are maintained to verify the amounts on the APS 11 in the future.

Detailed reconciliations between the PeopleSoft accounting system and USAS were not completed in AY 2014. The benefits reported on the APS 11 were the lesser of the general ledger and USAS amounts to be conservative and the differences were immaterial. Currently there is no formal procedure for reconciling from the PeopleSoft Accounting System to USAS, the state-wide accounting system. We recommend the Budget and Financial Reporting Office develop reconciling procedures that are conducted timely and approved by a supervisor in the department.

The Director of Budget and Financial Reporting has agreed to implement these recommendations by August 31, 2016.

We appreciate the assistance of the UT System Internal Audit department and the UT Tyler Budget and Financial Reporting Office during this audit.

Sincerely,



Lou Ann Viergever, CPA, CIA, CRMA  
Executive Director of Audit and Consulting Services

cc: Dr. Rod Mabry, President, UT Tyler  
Mr. J. Michael Peppers, Chief Audit Executive, UT System  
Mr. Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer, UT System  
Ms. Carrie Clayton, Associate Vice President for Financial Management, UT Tyler  
Ms. Eva Burnett, Director of Budget and Financial Reporting, UT Tyler

**Attachment 1  
Schedule of Errors**

	<b>Appropriation Year</b>	<b>Benefit Type</b>	<b>Financing Source</b>	<b>Error Description</b>	<b>Error Amount</b>	<b>Refund Status*</b>	<b>Document Number and Effective Date</b>
	2012	OASI	GR Fund # 0001	Incorrect Proportionality %	\$ (61,051.97)	In Process	
	2012	TRS	GR Fund # 0001	Incorrect Proportionality %	\$ (22,302.66)	In Process	
	2012	ORP	GR Fund # 0001	Incorrect Proportionality %	\$ (23,756.11)	In Process	
<b>Subtotal</b>	<b>2012</b>				<b>\$ (107,110.74)</b>	In Process	
<b>Subtotal</b>	<b>2013</b>				-		
<b>Subtotal</b>	<b>2014</b>				-		
<b>Total</b>	<b>2012-2014</b>				<b>\$ (107,110.74)</b>		

\*The UT Tyler Director of Budget and Financial Reporting has contacted the Texas Comptroller's Office for instructions on processing the refund.

**FY 2012:** General Revenue – Dedicated Financing Sources in Column 2 was understated due to waivers being deducted from Gross Tuition then deducted again to arrive at net tuition. Lab fees and interest income were also excluded. This resulted in understated revenue of \$1,270,503. The revised Fund 001 Percentage decreased from 82.3769% to 79.2069% and Fund 0228 Percentage increased from 17.6231% to 20.7931%.

UT Tyler originally overpaid GIP by \$509,061.18 and only received reimbursement of \$6,873.73; therefore, no reimbursement from UT Tyler is due for GIP.

**FY 2013:** No errors were noted.

**FY 2014:** No errors were noted.

**Attachment 2**  
**Benefits Proportionality by Fund Audit Report – Appropriation Year 2013**



**THE UNIVERSITY OF TEXAS AT TYLER**  
**Office of Audit Services**  
3900 University Boulevard, Tyler, TX 75799 (903) 565-5644

November 25, 2014

Dr. Rod Mabry, President  
University of Texas at Tyler  
3900 University Blvd.  
Tyler, TX 75799

Dear Dr. Mabry,

We have completed our audit of Benefits Proportionality by Fund for The University of Texas at Tyler (UT Tyler) as requested by Governor Rick Perry. Based on audit procedures performed, which were provided by The University of Texas System (UT System) Audit Office, the *Benefits Proportional by Fund Report* (APS 011) for appropriation year (AY) 2013, as revised and submitted to the State Comptroller on September 12, 2014, 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 was limited to the benefits funding proportionality reporting for AY 2013. Therefore we make no assertions regarding prior reports.

Our audit methodology included review of source information obtained from the UT Tyler internal accounting system and the State's Uniform Statewide Accounting System (USAS). We relied upon work conducted in previous audits by our office and our external audit firm, 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 Proportional 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*.

Based on our review, we found the AY 2013 revised APS 11 report to be fairly stated with immaterial and isolated differences when compared to the UT Tyler internal accounting system and USAS.

We appreciate the assistance of the UT System Internal Audit department and the UT Tyler Budget Office and Financial Services Office during this audit.

Sincerely,



Lou Ann Viergever  
Lou Ann Viergever, CPA, CIA, CRMA  
Executive Director of Audit and Consulting Services

cc: Mr. Jesse Acosta, Vice President for Administration, UT Tyler  
Mr. J. Michael Peppers, Chief Audit Executive, UT System  
Mr. Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer, UT System