



August 31, 2018

Mr. Kerry Kennedy
Interim Vice President for Business Affairs
The University of Texas of the Permian Basin
4901 E. University Boulevard
Odessa, Texas 79762

Dear Mr. Kennedy:

We have completed our audit of Benefits Proportionality by Fund for the University of Texas of the Permian Basin (UT Permian Basin), as required by page III-45 of the General Appropriations Act (85th Legislature, Conference Committee Report), which states that the audit is to examine fiscal years (FY) 2015 through 2017. Results for all three fiscal years are included in Attachment 1.

Based on audit procedures performed, *Benefits Proportionality by Fund Reports* (APS 011) for fiscal years 2015 through 2017, as submitted to the State Comptroller, we found the following: for FY 2015, State funds were undercharged by \$40,810.62; for FY 2016, State funds were overcharged by \$14,080.73; and for FY 2017, State funds were undercharged by \$100,281.23.

We have discussed with management and staff opportunities for process improvements in order 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 summarized in Attachment 1 and are more fully explained below.

Our audit procedures were consistent with the methodology prescribed by the State Auditor's Office, 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*.

In FY 2015, we noted that the amount of non-State financing sources in GR-Dedicated Fund 0251 was overstated by \$529,114.67. The effect of this error resulted in State appropriations being undercharged by \$40,810.62. This figure represents an error rate of 0.85% out of the State's total share of \$4,783,288.72.

In FY 2016, we noted that the amount of non-State financing sources in GR-Dedicated Fund 0251 was understated by \$124,270.87. The effect of this error resulted in State appropriations being overcharged by \$14,080.73. This figure represents an error rate of 0.27% out of the State's total share of \$5,256,250.22.

For FY 2017, we noted that the amount of non-State financing sources in GR-Dedicated Fund 0251 was overstated by \$1,234,228.68. The effect of this error resulted in State appropriations being undercharged by \$100,281.23. This figure represents an error rate of 1.77% out of the State's total share of \$5,656,988.47.

We wish to express our appreciation to the management and staff of UTPB for the courtesy and cooperation extended to us during this audit.

Sincerely,



Glenn Spencer, CPA
Chief Audit Executive

cc: Dr. Sandra Woodley, President
Mr. J. Michael Peppers, CPA, UT System Chief Audit Executive

ATTACHMENT 1
Error Schedule 2015-2017
UT Permian Basin

	Fiscal Year	Benefit Type	Financing Source	Error Description	Error Amount	Refund Status	Document Number and Effective Date
	2015	OASI	GR Fund # 0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	(23,310.09)		
	2015	TRS	GR Fund # 0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	(8,544.53)		
	2015	ORP	GR Fund # 0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	(8,956.00)		
Subtotal	2015				\$ (40,810.62)	No reimbursement due to State	
	2016	OASI	GR Fund #0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	\$ 7,280.96		
	2016	TRS	GR Fund #0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	\$ 3,990.76		
	2016	ORP	GR Fund #0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	2,809.01		
Subtotal	2016				\$ 14,080.73	In Process	
	2017	OASI	GR Fund #0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	\$ (51,216.93)		

	2017	TRS	GR Fund #0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	(30,006.86)		
	2017	ORP	GR Fund #0001	Revised allocation % based on misstatement in non-state financing sources for Fund 0251	(19,057.44)		
Subtotal	2017				\$ (100,281.23)	No reimbursement due to State	
Total	2015-2017				\$ (127,011.12)		