

# **The University of Texas** **Rio Grande Valley**<sup>TM</sup>

**Benefits Proportionality by Fund For AY 2016 and AY 2017**

**18-REQ-045**

**August 31, 2018**

**Office of Audits & Consulting Services**

August 31, 2018

Dr. Guy Bailey, President  
The University of Texas Rio Grande Valley  
2102 Treasure Hills Blvd., Suite 3.115  
Harlingen, TX 78550

Dear Dr. Bailey,

We have completed our audit of Benefits Proportionality by Fund for The University of Texas at Rio Grande Valley (UTRGV), as required by Rider 8, page III-45, of the *General Appropriations Act* (85th Legislature, Conference Committee Report). The rider requires that the audit examine appropriation years (AY) 2015 through 2017. An audit of the University of Texas Pan American's (UTPA) *Benefits Proportionality by Fund Report* (APS 011) for AY 2015 was not performed because UTPA formally ceased operations on August 31, 2015. Based on audit procedures performed, the APS 011 Report for appropriation years 2016 and 2017 submitted to the State Comptroller was materially accurate; however, we identified inaccuracies in the amounts reported. Although no reimbursement is due to the State, UTRGV should make a funding proportionality adjustment of \$106,562.48 from General Revenue fund to General Revenue Dedicated fund. All errors identified are summarized in **Appendix 1** and described in the **Results** section below.

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*.

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## Results

Financing Sources were inaccurate and inconsistently treated in UTRGV's APS011 report. UTRGV did not correctly calculate all funding sources in the Financing Sources section of the report. Specifically:

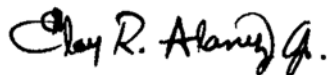
- For AY2016, UTRGV erroneously included a transfer of \$2,557,500.79 to University of Texas Health Science Center San Antonio (UTHSCSA) from the General Revenue fund. In addition, UTRGV made a calculation error and erroneously included \$1,241,542 in pass through corrections in the Sources of Funding column for General Revenue – Dedicated and \$13,155.10 of exemptions classified as Student Fees Revenue.
- For AY2017, UTRGV incorrectly calculated its required funding proportion percentages for its Benefits Proportional by Fund Report by including amounts totaling \$15,351.70 from a Draft Annual Financial Report (AFR) in General Revenue – Dedicated.

The above errors affected the final funding proportionality percentage and as a result, UTRGV's General Revenue Dedicated fund was not refunded an additional \$104,149.78 for AY2016 and \$2,412.70 for AY2017, from the General Revenue fund. See *Appendix 1-Summary of Errors* for detailed information.

The need for a secondary review of key formulas and calculations that supports the annual APS 011 report filings, as well as updating the APS 011 procedures manual was discussed with management at the exit conference. Management concurred with the suggestions.

We appreciate the courtesy and cooperation received from management and staff during our audit.

Sincerely,



Eloy R. Alaniz, Jr., CPA, CIA, CISA  
Chief Audit Officer

cc: Audit Committee  
Karla Loya, Associate Vice President for Financial Services  
J. Michael Peppers, Chief Audit Executive, UT System  
Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer, UT System

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UT System Audit Office  
Governor's Office of Budget, Planning and Policy  
Sunset Advisory Commission  
State Auditor's Office  
Legislative Budget Board

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Appendix 1 – Summary of Errors

	Appr Year	Benefit Type	Financing Source	Error Description	Error Amount	Refund Status	Document Number and Effective Date
	2016	OASI	GR- Fund # 0001	UTHSCSA Transfer and Pass through Corrections included	(25,919.38)		
	2016	GIP	GR- Fund # 0001	UTHSCSA Transfer and Pass through Corrections included	(55,372.55)		
	2016	TRS	GR- Fund # 0001	UTHSCSA Transfer and Pass through Corrections included	(11,081.19)		
	2016	ORP	GR- Fund # 0001	UTHSCSA Transfer and Pass through Corrections included	(11,776.66)		
<b>Subtotal</b>	<b>2016</b>				<b>(104,149.78)</b>	No refund due	
	2017	OASI	GR- Fund # 0001	Difference in financing amounts reported	(565.73)		
	2017	GIP	GR- Fund # 0001	Difference in financing amounts reported	(1,330.22)		
	2017	TRS	GR- Fund # 0001	Difference in financing amounts reported	(265.15)		
	2017	ORP	GR- Fund # 0001	Difference in financing amounts reported	(251.60)		
<b>Subtotal</b>	<b>2017</b>				<b>(2,412.70)</b>	No refund due	
<b>Total</b>	<b>2016-2017</b>				<b>(106,562.48)</b>		

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