

Benefits Proportionality of Funds

Financial and Administrative Services

May 2022



**The University of Texas at Austin
Office of Internal Audits
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OFFICE OF INTERNAL AUDITS
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May 31, 2022

President Jay C. Hartzell
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Hartzell,

We have completed our audit of Benefits Proportionality for fiscal years 2020 and 2021, for The University of Texas at Austin (UT Austin) as required by Rider 8, page III-46 of the General Appropriations Act (87th Texas Legislature). The rider requires that this audit examine fiscal years 2019 through 2021; however, an audit of fiscal year 2019 was completed as part of the previous Benefits Proportionality engagement (Project #20.015) issued August 31, 2020.

The objective of the audit was to ensure benefits by fund were paid proportionally and applied according to the established guidelines set forth in the General Appropriations Act (GAA). Funding being audited was appropriated for the 2020-2021 biennium; therefore, governing guidelines are established in Article IX, Section 6.08 of the GAA, for the 2020-2021 biennium (86th Texas Legislature). The report is attached for your review.

Overall, the Benefits Proportionality by Method of Finance reports (APS 011) for fiscal years 2020 and 2021 are materially accurate, and there were no inappropriate deposits or adjustments to general revenue. However, UT Austin did not receive approximately \$300,000 in state fringe benefit support because of an error in UT Austin's calculations.

Please let me know if you have any questions or comments regarding this audit.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA
Chief Audit Executive

cc: Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer
Ms. Monica Horvat, Director of Administration for the President
Ms. Melissa Loe, Chief of Staff, Financial and Administrative Services
Ms. Lori Peterson, Executive Director of Accounting & Financial Management
Legislative Budget Board
State Auditor's Office
Texas Comptroller of Public Accounts



Executive Summary

Benefits Proportionality Financial and Administrative Services Project Number: 22.030

Audit Objective

The objective of this audit was to determine whether benefits by fund were paid proportionally and applied according to the established guidelines set forth in Article IX, Section 6.08 of the General Appropriations Act, for the 2020-2021 biennium (86th Texas Legislature).

Conclusion

Overall, the Benefits Proportionality by Method of Finance reports (APS 011) for fiscal years 2020 and 2021 are materially accurate, and there were no inappropriate deposits or adjustments to general revenue. However, The University of Texas at Austin (UT Austin) did not receive approximately \$300,000 in state fringe benefit support because of an error in UT Austin’s calculations.

Audit Observations¹

Recommendation	Risk Level	Estimated Implementation Date
Refile FY 2020 and FY 2021 APS 011	Medium	June 2022

Engagement Team

- Ms. Autumn Gray, CIA, Manager
- Mr. Patrick McKinney, CIA, Director
- Ms. Andrea Rios, Auditor I
- Ms. Melanie Tolen, Auditor I

¹ Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



Audit Results

Observation #1 State Fringe Benefit Contribution

UT Austin did not receive the full amount of the state's fringe benefit support because of a calculation error. Treasury, Risk Management and Administrative Services used an incorrect rate in the excel spreadsheet to calculate the state contribution rate for the Optional Retirement Program. The rate was set at 6.5% instead of the 6.6% designated by the General Appropriations Act (GAA). As the state contribution percentage is slightly higher than was calculated, the general revenue portion of benefits proportionality will increase. For fiscal years 2020 and 2021 combined, UT Austin should receive approximately \$300,000 in additional state fringe benefit support. Since fiscal year 2019 and previous fiscal years are closed appropriations years, UT Austin is not able to recover lost funding from the miscalculations.

Recommendation: Financial and Administrative Services should refile the APS 011 for fiscal years 2020 and 2021 and request that the Comptroller of Public Accounts transfer the additional revenues to UT Austin's General Revenue Fund.

Additionally, Treasury, Risk Management and Administrative Services should have an independent reviewer examine the template for any applicable GAA updates each year prior to the filing of the APS 011.

Management's Corrective Action Plan: Management concurs with the recommendations and will refile the APS 011 for fiscal years 2020 and 2021 to request the transfer of additional General Revenue funds.

The Budget Office will conduct an independent review of future APS 011 forms before each filing.

Responsible Person: Director, Treasury, Risk and Administration Services

Planned Implementation Date: The APS011 for fiscal years 2020 and 2021 will be refiled by June 30, 2022. The Budget Office will review and approve future APS 011 forms prior to filing.



Background

Rider 8, page III-46 of the General Appropriations Act (87th Texas Legislature) requires higher education institutions, excluding public community/junior colleges, to conduct an internal audit of benefits proportional by fund. The audit must examine fiscal years 2019 through 2021 and be conducted using methodology approved by the State Auditor's Office. UT Austin previously audited fiscal year 2019 and included it in the audit submitted to the State Auditor's Office in fiscal year 2020.

The State Auditor's Office outlines the following areas, at minimum, to ensure compliance:

- Auditing compliance with applicable requirements prescribed by Section 6.08, page IX-28, the General Appropriations Act (87th Texas Legislature).
- Auditing the accuracy of the report demonstrating proportionality required by Section 6.08(g).
- Disclosing in the audit report (a) the aggregate dollar amount of all instances of noncompliance with the proportionality requirements identified during the audit, regardless of materiality, and (b) the status of any resulting reimbursement payments to the Comptroller of Public Accounts.

Scope, Objectives, and Methodology

The scope of this review includes fiscal years 2020 and 2021. Since fiscal year 2019 had been included in a prior audit, it was excluded from the scope of this engagement.

The audit objective is to determine whether benefits by fund were paid proportionately and applied according to the established guidelines set forth in Article IX, Section 6.08 of the General Appropriations Act, for the 2020-2021 biennium (86th Texas Legislature).

To achieve these objectives, the Office of Internal Audits:

- Reviewed source information obtained from the internal accounting system and the State's Uniform Statewide Accounting System (USAS),
- Gained an understanding of the benefits proportionality reporting process from the report owner,
- Verified the accuracy of information and proportional funding calculations reported to the State Comptroller on the APS 011 reports, and
- Performed testing to verify eligibility of employee benefits paid with appropriated funds.

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



Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole.
High	Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
Medium	Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
Low	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

In accordance with directives from UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

Report Distribution

- The University of Texas at Austin Institutional Audit Committee
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