



Auditing and Advisory Services

P.O. Box 20036 | Houston, TX | 713-500-3160

Report on Benefits Proportionality by Fund Audit #22-116

EXECUTIVE SUMMARY

We have completed our assurance engagement of Benefits Proportionality by Fund for The University of Texas Health Science Center at Houston (UTHealth). This engagement was performed at the request of the UTHealth Houston (UTHealth) Audit Committee and was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

Background

Rider 8, page III-46, of the General Appropriations Act (87th Legislature, Conference Committee Report), requires each higher education institution (excluding public community/junior colleges) to conduct an internal audit of benefits proportional by method of finance using a methodology approved by the State Auditor's Office (SAO). Furthermore, the Rider requires that the audit examine appropriation years (AY) 2019 through 2021, and states a copy of this report must be submitted to the Legislative Budget Board, the Comptroller of Public Accounts, and the SAO no later than August 31, 2022.

Our audit procedures were consistent with the methodology prescribed by the SAO to comply with Rider 8, and included a review of source information obtained from the internal accounting system and the State's Uniform Statewide Accounting System (USAS); a 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; as well as testing to verify eligibility of employee benefits paid from appropriated funds. The sample size for testing was determined by following guidance on internal control testing for compliance from the American Institute for Certified Public Accountants (AICPA).

In addition, we relied upon work conducted by our office in previous audits, our external audit firm, and the SAO to gain assurance regarding the reliability of data in the internal accounting system and USAS.

Objectives

Our objective was to determine whether proportional benefits by funds are accurately calculated and applied according to the established guidelines set forth in Article IX Section 6.08 of the General Appropriations Act for appropriation years 2020 and 2021.

Scope

The audit results for AY 2019 have been submitted in the previous Benefits Proportionality audit, and therefore, the scope of this year's audit included *Benefits Proportionality by Fund Reports* (APS 011) for AY 2020 and AY 2021 respectively.

Conclusion

Overall, controls around proportional benefits by funds are adequate and functioning as intended. The process in place to prepare the annual report is sufficient to ensure benefits funding proportionality is

22-116 Benefits Proportionality by Fund

applied according to the guidelines established in Article IX, Section 6.08 of the General Appropriations Act.

For AY 2020, we noted an immaterial under-reimbursement in the amount of \$3,818.

For AY 2021, we noted the inclusion of adjusting entries for HCPC that should have been excluded from proportionality, as well as benefits paid for Auxiliary Services employees from an achievement award in error. The net effect was an under-reimbursement of \$10,502.

We would like to thank the Office of Finance & Business Services staff and management who assisted us during the engagement.



Daniel G. Sherman, MBA, CPA, CIA
Vice President & Chief Audit Officer

OBSERVATION RATINGS

| | |
|-----------------|--|
| Priority | An issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of UTHealth or the UT System as a whole. |
| High | An issue considered to have a medium to high probability of adverse effects to a significant office or business process or to UTHealth as a whole. |
| Medium | An issue considered to have a low to medium probability of adverse effects to an office or business process or to UTHealth as a whole. |
| Low | An issue considered to have minimal probability of adverse effects to an office or business process or to UTHealth as a whole. |

NUMBER OF PRIORITY OBSERVATIONS REPORTED TO UT SYSTEM

None.

MAPPING TO A&AS FY 2022 RISK ASSESSMENT

| Reference | Risk |
|-----------|--|
| FIN 173 | Institution is not in compliance with Section 6.08 of the General Appropriations Act Benefits Proportionality. |

DATA ANALYTICS UTILIZED

None.

ENGAGEMENT TEAM

Manager - Daniel G. Sherman, MBA, CPA, CIA

Staff - Casandra Wiley

22-116 Benefits Proportionality by Fund

END OF FIELDWORK DATE

August 16, 2022

ISSUE DATE

August 23, 2022

REPORT DISTRIBUTION

Audit Committee

Kevin Dillon

Ana Touchstone

Michael Tramonte

Scott Barnett

Jonathan Pruitt, Executive Vice Chancellor for Business Affairs – UT System
State Comptroller's Office