



THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
Audit of Benefits Proportionality by Fund
Fiscal Year 2020

SUMMARY

OBJECTIVE

The objective of this audit is to determine The University of Texas (UT) System Administration's compliance with applicable requirements prescribed in Article IX, Section 6.08 of the General Appropriations Act. This audit is required under Rider 8, page III-48, of the General Appropriations Act (86th Legislature).

Although not required by Rider 8 to be audited, in prior years we also reviewed UT System's report to the State that summarizes redistribution of appropriated funds for employee group insurance (EGI) benefits among UT System institutions, as allowed under Article III of the General Appropriations Act, to determine sufficiency of General Revenue share of funds provided by the state for EGI benefits across the UT System.

OBSERVATIONS

None

CONCLUSION

Based on audit procedures performed, the Benefits Proportionality by Fund Reports (APS 011) for appropriation years (AY) 2018 and 2019, as submitted to the State Comptroller, were accurate, and the process in place to prepare the annual reports is sufficient to ensure benefits funding proportionality is applied according to the guidelines established in the General Appropriations Act.

Based on our review of UT System's prior period reports to the State for AYs 2013 through 2017 that summarize redistribution of appropriated funds for employee group insurance (EGI) benefits, we determined that additional appropriations would have been required to fully fund the General Revenue proportional share of EGI contributions at the System-wide level. We did not perform this review for AY 2018 or 2019 because some institutional APS 011 reports are still pending approval by the State Comptroller. Preliminary calculations indicate EGI was again underfunded in both years, thus return of funds is not expected. We are available to review the reallocation reports once they are finalized.



This engagement was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

BACKGROUND

Guidelines established in Article IX, Section 6.08, of the General Appropriations Act prohibit use of appropriated General Revenue to pay for employee benefit costs associated with salaries and wages paid from any other source and requires an annual report demonstrating that the proportionality requirement has been met. Beginning in fiscal year 2015 with a directive from the Governor, then in subsequent years through a General Appropriation Act rider, each higher education institution, excluding public community/junior colleges, has been required to conduct an internal audit of benefits proportional by fund for prior appropriation years.

SCOPE AND PROCEDURES

Rider 8, page III-48, of the General Appropriations Act (86th Legislature) requires that the audit examine appropriation years (AY) 2017 through 2019. Because our prior audit of proportional benefits included AY 2017, only 2018 and 2019 were included this year.

Audit procedures were consistent with the methodology prescribed by the Texas State Auditor's Office to comply with Rider 8, and included:

- Review of source information obtained from the UT System Administration internal accounting system and the State's Uniform Statewide Accounting System (USAS),
- Review of the benefits proportionality reporting process, and
- Validation of the accuracy of information and proportional funding calculations reported to the State Comptroller on the APS 011 reports.

Because no employees were paid with appropriated funds in AYs 2018 or 2019, eligibility testing was not required. We relied on 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.

CRITERIA

General Appropriations Act, Article IX, Section 6.08, 85th Legislature (for the 2018-19 Biennium)
Texas Comptroller of Public Accounts, Fiscal Policies & Procedures (FPP) A.010: Benefits Proportional by Method of Finance

REPORT DATE

June 19, 2020

REPORT DISTRIBUTION

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