December 2, 2014

Dr. William Watts  
Interim Vice President of Business Affairs  
University of Texas of the Permian Basin  
4901 E. University Boulevard  
Odessa, Texas 79762-0001

Dear Dr. Watts,

We have completed our audit of Benefits Proportionality by Fund for the University of Texas of the Permian Basin (UT Permian Basin), as requested by Governor Rick Perry. Based on audit procedures performed, the Benefits Proportionality by Fund Report (APS 011) for fiscal year (FY) 2013, as submitted to the State Comptroller on April 29, 2014, was materially accurate. The process in place to prepare the annual report is sufficient to ensure benefits funding proportionality is applied according to the guidelines established in Article IX, Section 6.08, of the General Appropriations Act. We did note one minor finding as detailed later in this report.

The scope of our audit included benefits funding proportionality reporting for FY 2013. Risk of material error in reporting accuracy for years prior to FY 2013 was assessed based on audit results and determined to be low, thus additional testing of prior appropriation years was not performed.

Our audit methodology included review of source information obtained from the UT Permian Basin internal accounting system, the State’s Uniform Statewide Accounting System (USAS), and the University of Texas System (UT System) Controller’s Office. 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 our internal accounting system and USAS. Based on that work, we determined that the information in these systems was sufficiently reliable for the purposes of this audit. In addition, we reviewed the benefits proportionality reporting process with relevant staff, validated the accuracy of information and proportional funding calculations reported to the State Comptroller on the Benefits Proportionality by Fund Report (APS 011), as prepared by the UT System Controller’s Office, and tested 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). 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.
During the course of our audit we noted one minor finding involving the amount of miscellaneous income used in determining the total estimated other E & G (Education and General Activity) Income (Fund #251), which resulted in an over-calculation of the State’s share of proportional benefits by $3,528.59. This figure represents an error rate of 0.0952% out of the total State’s share of $3,704,129.91.

We wish to express our appreciation to management and staff of UT Permian Basin and UT System Controller’s Office for the courtesy and cooperation extended to us during this audit.

Sincerely,

Glenn Spencer
Director of Internal Audit

cc:    Dr. W. David Watts, President, University of Texas of the Permian Basin
       J. Michael Peppers, Chief Audit Executive, UT System
       Randy Wallace, Associate Vice Chancellor–Controller, UT System