

**UT Southwestern**  
Medical Center

**Proportional Benefits Funding Audit**

**Internal Audit Report 18:48**

**July 5, 2018**

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# Executive Summary

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## **Background**

The Texas Comptroller of Public Accounts, under the authority of the General Appropriations Act (GAA), requires state agencies and institutions of higher education to ensure:

- Payments for benefit costs are proportional to an institution's funding from appropriated funds and federal receipts unless another legal provision prohibits proportionality.
- State appropriated general revenue (GR) funds are not used for paying benefits associated with salaries and wages paid from other funding sources.
- When it is determined that GR paid more than its proportionate share of benefits, an adjustment must be made to achieve a proportional benefit distribution.

Funds created by the state constitution or statute are expended through a legislative appropriation process and are captured in the Uniform Statewide Accounting System (USAS). UT Southwestern Medical Center (Medical Center) receives its appropriation through GAA appropriated funds. Fiscal Reports and Accounting Operations (Fiscal Reports), within the Office of Accounting, is responsible for the assessment, monitoring and reporting of benefits proportional requirements for all appropriated funds. Fiscal Reports is also responsible for completing the annual Benefits Proportional by Fund report form (APS 011 Report) for management certification, and submitting this certified report to the Comptroller's Office and the State Auditor's Office (SAO). This report outlines the computation and recording of relevant adjustments to accomplish proportionality of benefits costs and funding based on the prior appropriation year's budget.

## **Scope and Objectives**

The Office of Internal Audit has completed its Proportional Benefits Funding audit. This is a required audit and part of the fiscal year 2018 Audit Plan. The audit scope included review of the annual Benefits Proportionality by Fund Report for AY 2015 through 2017. Audit procedures included interviews with stakeholders, review of policies and operating procedures and other documentation, account reconciliation, data analytics and substantive testing and consisted of the following primary objectives:

- Accuracy of the Benefits Proportionality by Fund Reports (APS 011) for appropriation years 2015 through 2017, as submitted to the State Comptroller,
- Adequate controls in place to prepare the annual benefits funding proportionality report according to the guidelines established in Article IX, Section 6.08, of the General Appropriations Act.

We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

## **Executive Summary**

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### **Conclusion**

Overall, Benefits Proportionality by Fund Reports (APS 011) for AY 2015 through 2017, as submitted to the State Comptroller, were materially accurate. The process in place to prepare the annual report is sufficient to ensure benefits funding proportionality applies according to the guidelines established in Article IX, Section 6.08, of the General Appropriations Act. All prior action plans were completed and closed.

We would like to thank management and staff from Fiscal Reports and the Office of Accounting for the courtesies and cooperation extended to us during the review.

Sincerely,

Valla Wilson, Associate Vice President, Internal Audit, Chief Audit Executive

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## Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

<b>Risk Definition - The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.</b>	<b>Degree of Risk and Priority of Action</b>	
	<b>Priority</b>	An issue identified by internal audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
	<b>High</b>	A finding identified by internal audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	<b>Medium</b>	A finding identified by internal audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level. As such, action is needed by management in order to address the noted concern and reduce risk to a more desirable level.
	<b>Low</b>	A finding identified by internal audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions.

It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.