



THE UNIVERSITY OF TEXAS
PERMIAN BASIN

Benefits Proportionality by Fund FY's 2020 & 2021

June 2022

Office of Internal Audit
4901 E. University Boulevard
Odessa, Texas 79762



Executive Summary

We have completed our audit over Benefits Proportionality by Fund at UT Permian Basin, (UTPB) as required by Article III, page 46 of the General Appropriations Act (87th Legislature), which states that the audit is to examine fiscal years (FY) 2019 through 2021. Because our prior audit of proportional benefits included 2019, only 2020 and 2021 were included in this year's audit.

Conclusion

For appropriation year 2021 benefits by fund were accurately calculated and applied according to the established guidelines. For appropriation year 2020 expenditures reported in the Uniform Statewide Accounting System were overstated resulting in an over reimbursement from UTPB's dedicated funds (not State funds) for the appropriation year.

Audit Finding	Risk Level	Detail
Expenditures reported for Group Insurance from GR-Dedicated funds in the Uniform Statewide Accounting System for appropriation year 2020 were overstated by \$43,220.	Medium Risk	Pages 3 - 4



Finding – Expenditures reported for Group Insurance from GR-Dedicated funds in the Uniform Statewide Accounting System for appropriation year 2020 were overstated by \$43,220.

Medium
Risk

The Uniform Statewide Accounting Software (USAS), utilized by the Texas Comptroller of Public Accounts captures the accounting activities supplied by state agencies and institutions of higher education. Among other uses, the financial data in USAS is used to make State Payments. UTPB exports its accounting activities from the detail GL into USAS periodically during each month; information exported from UTPB's detail GL should "mirror" the information reported in USAS.

Our audit over Benefits Proportionality by Fund included procedures to verify the completeness and accuracy of information used in the proportional funding calculations and reported to the Comptroller of Public Accounts. Internal Audit, (IA) reconciled balances reported in UTPB's detail GL to balances reported in USAS. We noted the balance for expenditures related to Group Insurance (GIP) from dedicated funds (GR-D) per USAS were higher by \$43,220 for appropriation year, (AY) 2020. UTPB's dedicated funds are held with the State Comptroller and reimbursements for expenditures from dedicated funds are determined by the balances in USAS. UTPB requested and received a reimbursement from dedicated funds based on overstated expenditures which resulted in the need to move funds back to the State Comptroller be held for future use.

We discussed our finding with the Assistant Director of Accounting; upon investigation it was determined that some reversing transactions posted by UTPB did not get exported to USAS resulting in the overstatement of expenditures. The Office of Accounting made the appropriate deposit to move dedicated funds back to the State Comptroller.



Finding cont. – Expenditures reported for Group Insurance from GR-Dedicated funds in the Uniform Statewide Accounting System for appropriation year 2020 were overstated by \$43,220.

Medium
Risk

Recommendation:

In addition to the current process in place of preparing and performing a secondary review over the Benefits Proportional by Method of Finance report each quarter; we recommend a quarterly reconciliation of balances reported in UTPB's detail general ledger to the corresponding balances in USAS. The reconciliation will aid to ensure the exports worked properly and all transactions in the detail GL were captured in USAS.

Management's Response/Action Plan

In addition to the current process of preparing and performing a secondary review over the Benefits Proportionality by Method of Finance report each quarter, the Office of Accounting will also complete a monthly reconciliation of general ledger balances to the corresponding balances in USAS. We have requested and received from UT System, some guides for other reconciliations we can perform to help us monitor the USAS exports by the fund source and a payroll reconciliation to USAS documents.

Target Implementation Date

September 1, 2022

Responsible Party

Marcus Celeya



Background, Audit Objective, and Scope & Methodology

Background

The Texas Legislature requires the performance of a biennial internal audit over Benefits Proportional by method of finance at each institution of higher education. In the annual risk assessment for FY 2022, the possibility that inaccuracies existed within Benefits Proportional by Method of Finance report was determined to have an overall risk score of "high". Based on the State requirement, and an overall high-risk score in the annual risk assessment, an audit over Benefits Proportional by method of Finance was approved as part of the FY 2022 Audit Plan.

Audit Objective

The objective of our audit was to ensure that proportional benefits by fund are accurately calculated and applied according to the established guidelines set forth in Article IX, Section 6.08 of the General Appropriations Act (87th Legislature).

Scope & Methodology

We conducted our audit in accordance with the methodology prescribed by the State Auditor's Office and in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We also conducted our audit in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*; and with guidelines set forth in UTS 129.

The UTPB Office of Internal Audit meets the independence requirements set forth in *Generally Accepted Government Auditing Standards (GAGAS)*.



Background, Audit Objective, and Scope & Methodology cont.

Our audit procedures included the following:

- Reviewing source information obtained from UTPB's internal accounting system and the State's Uniform Statewide Accounting System
- Sample testing to verify eligibility of employee benefits paid with appropriated funds
- Reviewing the benefits proportionality reporting process
- Validating the accuracy and completeness of information, and proportional funding calculations reported to the Comptroller of Public Accounts on the APS011 reports.

Other Discussion Item(s)

In our testing we noted instances where transfers for large amounts were made between the general revenue and the general revenue dedicated fund in appropriation year, (AY) 2020. The transfers were made due to lack of availability of general funds for reimbursement at that point in the appropriation year. Appropriations budgets are set up in Peoplesoft as an aid, when the appropriation has been exhausted it should prevent the export to USAS. In AY20 the appropriation budget tools were fully utilized in PeopleSoft and were not set up properly; however, in AY 2021 the appropriation budget was set up properly and functioned as designed



Risk Ranking Criteria for Audit Findings

Risk Definition	Risk Level
An issue or condition, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Permian Basin or UT System as a whole	Priority Risk
Risk that is considered to be substantially undesirable and results in a medium to high probability of significant adverse effects to UT Permian Basin either as a whole or at the college/department/unit level	High Risk
Risk that is considered undesirable and has a low to medium probability of adverse effects to UT Permian Basin either as a whole or at the college/department/unit level. Without appropriate controls, the risk will occur some of the time	Medium Risk
Considered to have minimal probability of adverse effects to the UT institution either as a whole or at the college/ school/unit level. Even with no controls, the exposure to UT Permian Basin will be minimal	Low Risk



Distribution

To: Cesar Valenzuela, Vice President for Business Affairs, CFO

CC: Dr. Sandra Woodley, President,
Felecia Burns, Director of Accounting
Audit Committee Members

From: Glenn S. Spencer, CPA, CGMA
Chief Audit Executive

A handwritten signature in black ink that reads "Glenn Spencer".

Auditor in Charge

Erin Hamilton, Auditor III

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