



## 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 Appropriations 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.

Additionally, Article III of the General Appropriations Act allows The University of Texas (UT) System to redistribute appropriated funds for employee group insurance (EGI) benefits among UT System institutions. If an institution's proportional need is less than its original appropriation, the excess can be allocated among the UT System institutions with a shortfall. However, if an institution has a proportional need in excess of its original appropriation, no additional benefits funding is provided by the State. The UT System submits an annual report to the State summarizing these transfers to reallocate the appropriated funds.

## OBJECTIVE

The objective of this audit is to determine 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-46, of the General Appropriations Act (87<sup>th</sup> Legislature).

## OBSERVATIONS

None.

## CONCLUSION

Based on audit procedures performed, the Benefits Proportionality by Fund Reports (APS 011) for appropriation years (AY) 2020 and 2021, 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.

Although not required by Rider 8 to be audited, we also reviewed UT System's AY 2021 report to the State that summarizes redistribution of appropriated funds for EGI benefits among UT System institutions and determined that the report is complete and mathematically accurate. On a Systemwide level, approximately \$23.3 million in additional appropriations would have been required to fully fund the General Revenue proportional share of EGI contributions. We did not perform this review for AY 2020 because some institutional APS 011 reports were still pending approval by the State Comptroller at the time of the audit.



The System Audit Office conducted this engagement in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the engagement in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our observations and conclusions based on our objectives. The System Audit Office is independent per GAGAS requirements for internal auditors.

## SCOPE AND PROCEDURES

Rider 8, page III-46, of the General Appropriations Act (87<sup>th</sup> Legislature) requires that the audit examine appropriation years (AY) 2019 through 2021. Because our prior audit of proportional benefits included AY 2019, only 2020 and 2021 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,
- Validation of the accuracy of information and proportional funding calculations reported to the State Comptroller on the APS 011 reports, and
- Verification of eligibility for employees whose benefits were paid partially or wholly with General Revenue appropriated funds.

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, 86<sup>th</sup> Legislature (for the 2020-21 Biennium)  
Texas Comptroller of Public Accounts, Fiscal Policies & Procedures (FPP) A.010: Benefits Proportional by Method of Finance

## REPORT DATE

June 10, 2022

## REPORT DISTRIBUTION

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