

The Texas A&M University System Internal Audit Department

MONTHLY AUDIT REPORT



July 5, 2018



The Texas A&M University System Internal Audit Department
July 2018

TABLE OF CONTENTS

The Texas A&M University System
Compliance with Benefits Proportional by Fund Requirements



System Internal Audit
THE TEXAS A&M UNIVERSITY SYSTEM

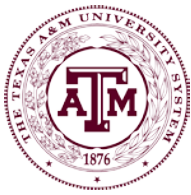
THE TEXAS A&M UNIVERSITY SYSTEM

**Compliance with Benefits Proportional by
Fund Requirements**

July 5, 2018

**Charlie Hrcir, C.P.A.
Chief Auditor**

Project #20180102



Overall Conclusion

The Texas A&M University System members generally comply with provisions in Article IX, Section 6.08 of the General Appropriations Act in fiscal years 2015, 2016, and 2017. The act requires that benefits paid from General Revenue funds be proportional to the salary and wages paid from General Revenue funds. The audit determined that:

- A&M System member Benefits Proportional by Fund Reports submitted to the State Comptroller's Office were materially accurate.
- Salaries paid from General Revenue funds were for eligible employees.
- Transfers and deposits into member General Revenue funds were appropriate.

The A&M System had approximately \$622 million in benefit expenses attributable to employees paid on General Revenue funds for fiscal years 2015, 2016, and 2017. Overall, the A&M System received \$13,854.88 in excess General Revenue. This is less than 0.01% of the General Revenue benefits received by the A&M System members for the time period reviewed.

While members were generally in compliance with the proportionality requirements, revisions were necessary for seven members, of which:

- Five members received \$206,368.07 in excess General Revenue.
- Two members received \$192,513.19 less in General Revenue than was available to them.

The majority of the revisions identified in the audit were in fiscal years 2015 and 2016. The accuracy of the Benefits Proportional by Fund Reports increased each fiscal year. This is, in part, the result of actions taken by the System Office of Budgets and Accounting and the members to ensure compliance with the requirements.

The A&M System members are currently working with the Comptroller's Office to submit revised Benefits Proportional by Fund Reports and reimbursement payments, if needed.

The following table compares the total benefits paid from General Revenue funds to the benefits allowed to be paid from General Revenue funds for the fiscal years reviewed.

A&M System Member	GR Benefits Allowed per State Guidelines	GR Benefits Paid (APS11)	Excess (Deficit) of GR benefits	%
	2015-2017	2015-2017	2015-2017	
System Offices	144,480.50	144,480.50	-	-
Texas A&M	204,959,256.80	204,959,256.80	-	-
Tarleton	27,103,087.99	27,104,764.76	1,676.77	0.01%
PVAMU	30,772,967.21	30,787,227.32	14,260.11	0.05%
AgriLife Research	41,139,328.73	41,139,328.73	-	-
AgriLife Extension	60,738,933.79	60,738,933.79	-	-
TEES	12,822,752.12	12,822,752.12	-	-
TEEX	2,540,592.52	2,696,831.80	156,239.28	5.79%
TAMUG	10,258,878.64	10,258,878.64	-	-
TFS	18,995,221.85	18,995,221.85	-	-
TTI	4,009,167.49	4,009,167.49	-	-
A&M-Corpus Christi	28,859,389.43	28,859,389.43	-	-
TAMIU	16,438,254.93	16,252,951.28	(185,303.65)	(1.14)%
Texas A&M - Kingsville	25,248,865.66	25,248,865.66	-	-
WTAMU	23,272,773.67	23,272,773.67	-	-
TVMDL	2,817,961.89	2,817,961.89	-	-
A&M - Commerce	32,407,236.32	32,407,236.32	-	-
TAMUT	8,992,146.30	9,017,336.07	25,189.77	0.28%
TAMHSC	54,060,074.88	54,060,074.88	-	-
A&M - Central Texas	6,265,195.18	6,257,985.64	(7,209.54)	(0.12)%
A&M - San Antonio	10,213,340.57	10,222,342.71	9,002.14	0.09%
Total A&M System	622,059,906.47	622,073,761.35	13,854.88	0.00%

Basis of Review

Objective and Scope

The audit focused on ensuring that A&M System members paid employee benefits on appropriated funds proportional to the source of funds for fiscal years 2015, 2016, and 2017. The areas audited included:

- Benefits Proportional by Fund Report accuracy.
- General Revenue Fund deposits and transfers.
- Employee eligibility for General Revenue funding.

Fieldwork was conducted from October 2017 to May 2018.

Methodology

Our audit procedures were consistent with the methodology prescribed by the Texas State Auditor's Office to comply with Rider 8, page III-44, of the General Appropriations Act (85th Legislature, Conference Committee Report). These procedures included the review of the following:

- Accuracy of information and proportional funding calculations included in the Benefits Proportional by Fund Reports submitted to the State Comptroller's Office
- Eligibility of employee benefits paid with appropriated funds
- Appropriateness of transfers and deposits into members' General Revenue funds

State entities are required to pay for employee benefits in proportion to their method of finance to ensure that the General Revenue Fund is not disproportionately used to fund employee benefits. An entity's method of finance refers to the sources and amounts authorized to finance certain expenses or appropriations made in the General Appropriations Act and may include General Revenue, General Revenue Dedicated, federal funds, and other funds. Employee benefits included on the Benefits Proportional by Fund Reports are the state employer match for Social Security, Group Insurance Premiums, Teacher Retirement System, and Optional Retirement Program.

The State Comptroller's Office developed the Benefits Proportional by Fund Report to provide guidance and a reporting mechanism for state entities to demonstrate benefits proportionality. The report calculates the percentage of total funding for each appropriated fund and then uses those percentages to determine the amount of benefits that should be paid by each appropriated fund. State entities that have multiple appropriated funds complete the Benefits Proportional by Fund Report annually and submit it to the State

Comptroller's Office on or before November 19. Any adjustments required based on the report are to be made in the Uniform Statewide Accounting System (USAS) to ensure that actual expenses match the calculated proportional benefits.

Criteria

Our audit was based upon standards as set forth in the following:

- The State of Texas *General Appropriations Act for the 2017-2018 Biennium (85th Legislature, Conference Committee Report)*; Rider 8, page III-44 and Article IX, Section 6.08, page IX-28
- Office of the Comptroller of Public Accounts' Fiscal Policies and Procedures
- Texas A&M University System Policies and Regulations
- Texas A&M University System *Best Practices for the APS011 Benefits Proportional by Fund Beginning in Fiscal Year 2014 (Edited August 2016)*
- Texas A&M University System members' rules and procedures
- Other sound administrative practices

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit 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.

Audit Team

Robin Woods, CPA, Director
Michelle McMillin, CPA, Audit Manager
Holly Blue, CPA
Debbie Bugenhagen
James Corbett
Lindsey Thomson, CPA

Distribution List

Mr. John Sharp, Chancellor
Mr. Billy Hamilton, Executive Vice Chancellor and Chief Financial Officer
Mr. Joseph Duron, Executive Director of Budgets & Accounting
Ms. Teresa Edwards, Controller
A&M System Chief Executive Officers, Chief Financial Officers, and Compliance Officers