

# The Texas A&M University System Internal Audit Department



Monthly Audit Report  
May 7, 2020

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The Texas A&M University System  
Compliance with Benefits Proportional by Fund Requirements-FY 2018



## 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 year 2018. 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.
- Benefits transferred appropriately with salaries through payroll cost transfers.

The A&M System had approximately \$221 million in benefit expenses attributable to employees paid on General Revenue funds for fiscal year 2018. Overall, the A&M System received \$134,263 less in General Revenue than was available to them. This is 0.06% 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 may be necessary for eight members, of which:

- Two members received \$867 in excess General Revenue.
- Six members received \$135,130 less in General Revenue than was available to them.

The Texas State Auditor's Office methodology requires that our audit report disclose the aggregate dollar amount of all instances of noncompliance with the proportionality requirements identified during the audit, regardless of materiality. The System Office of Budgets and Accounting continues to work closely with 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 fiscal year 2018.

Member Name	GR Benefits Allowed per State Guidelines	GR Benefits Paid (APS011)	Excess (Deficit) of GR Benefits	%
A&M System Offices	3,560,503	3,560,503	-	-
Texas A&M	71,234,947	71,234,947	-	-
Tarleton	9,622,018	9,622,018	-	-
PVAMU	10,004,776	10,004,197	(579)	(0.01)%
AgriLife Research	13,982,904	13,982,904	-	-
AgriLife Extension	21,875,887	21,875,887	-	-
TEES	4,481,387	4,481,387	-	-
TEEX	1,245,379	1,111,895	(133,484)	(12.01)%
TAMUG	3,521,187	3,520,520	(667)	(0.02)%
TFS	7,299,641	7,299,641	-	-
TTI	1,667,625	1,667,625	-	-
A&M-Corpus Christi	9,541,549	9,541,480	(69)	0.00%
TAMIU	5,707,327	5,707,882	555	0.01%
Texas A&M-Kingsville	9,217,760	9,217,760	-	-
WTAMU	8,261,856	8,262,168	312	0.00%
TVMDL	871,627	871,627	-	-
A&M-Commerce	10,664,277	10,664,277	-	-
TAMUT	3,231,389	3,231,389	-	-
TAMHSC	18,419,795	18,419,515	(280)	0.00%
A&M-Central Texas	2,159,188	2,159,188	-	-
A&M-San Antonio	4,218,539	4,218,488	(51)	0.00%
<b>Total A&amp;M System</b>	<b>220,789,561</b>	<b>220,655,298</b>	<b>(134,263)</b>	<b>(0.06)%</b>

## **Basis of Audit**

### 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 year 2018.

The areas audited included:

- Benefits Proportional by Fund Report accuracy
- General Revenue Fund deposits and transfers
- Employee eligibility for General Revenue funding
- Benefit transfers through payroll cost transfers

Fieldwork was conducted from January 2020 to March 2020.

### Methodology

Our audit procedures were consistent with the methodology prescribed by the Texas State Auditor's Office to comply with Rider 8, page III-46, of the General Appropriations Act (86<sup>th</sup> Legislature). The audit 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
- Appropriateness of benefits transferring with salaries through payroll cost transfers

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 2020-2021 Biennium (86<sup>th</sup> Legislature); Rider 8, page III-46 and Article IX, Section 6.08, page IX-27*
- 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 July 2018)*
- 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 (GAGAS). 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. The Office of Internal Audit is independent per the GAGAS standards for internal auditors.

## **Audit Team**

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