



Report to the Audit and Compliance Committee of the UHS
Board of Regents on:

STATE BENEFITS PROPORTIONALITY FOR UNIVERSITY OF HOUSTON
SYSTEM

FOR FISCAL YEARS 2020 - 2021

AR2022-15

UNIVERSITY of
HOUSTON

INTERNAL AUDITING DEPARTMENT

**UNIVERSITY OF HOUSTON SYSTEM
STATE BENEFITS PROPORTIONALITY
AUDIT
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AUDIT SUMMARY

Overview and Scope

The General Appropriations Act (GAA) and the State Auditor's Office (SAO) requires an internal audit of benefits proportionality. The GAA requires employee benefit payments to be proportional to funding source (appropriated general and net tuition revenue). The university or the state may overpay benefit expenses if benefit payments are not incurred in proportion to funding source. The Texas Comptroller of Public Accounts provides instructions for completing the Benefits Proportional by Fund APS 011 Report (the report). Each UHS university is required to report the state and university benefit payment amounts annually by November 19.

The Internal Auditing Department (IAD) must certify the accuracy and timely submission of the report. IAD reviewed fiscal year 2020 and 2021 reports for all UHS universities. Information relevant to this audit was obtained through the following procedures:

- Reviewed State regulations, Texas Comptroller of Public Accounts guidelines, and university procedures
- Interviewed Finance personnel
- Reconciled the reports to the PeopleSoft Finance accounting system
- Compared the UHS accounting system and the Uniform Statewide Accounting System (USAS)

Observations

All UHS universities filed their reports timely. The UHS, UHCL, and UHV APS011 reports were accurately submitted.

UH Observations

The UHS policies and procedures for the report state that the General Revenue Group Insurance Actual Benefits Paid figure is determined by the GAA. For UH, that figure was \$16,934,867 for fiscal year 2020. However, UH used an amount from PeopleSoft Finance, \$16,773,001, which resulted in an understatement of \$161,866. The Texas Comptroller of Public Accounts identified the understatement, which had no impact on the benefit expenses paid by the State. The corrected report was resubmitted in September 2021 and approved by the Comptroller.

UHD Observations

UH System State Benefits Proportional by Fund Policy requires consistency between USAS and PeopleSoft Finance. General Revenue – Dedicated (GR-D) net revenue per the finance system should reconcile with the GR-D amount reported on the reports. General accounting should reconcile the GR-D net revenue from the finance system with the cash transferred to USAS to ensure cash remitted does not exceed net GR-D.

Internal Audit compared the figures on the reports to the figures in finance system. The GR-D figures did not reconcile, and the GR-D amount on the reports were higher than the finance system.

There was an immaterial overstatement in the GR-D proportion calculation that resulted in the University overpaying benefits.

Overall Audit Opinion

There were no moderate or significant findings. However, UH and UHD can improve the completion process by reviewing UH System Benefits by Proportional Fund Policy prior to completing the report.

Recommendation

UH management must ensure that employees follow the policies and procedures developed by UHS when completing the report.

UHD management should follow policies and procedures developed by UHS and perform an annual reconciliation and true-up of GR-D net revenue. Journal entry support for payments made to the state should reflect reports from PeopleSoft Finance used to reconcile GR-D funds, waivers, exemptions, TPEG, interest and bad debt.

Management Response

UH management has reminded all personnel of the importance of following the UHS policies and procedures, including continuing to utilize reconciliations to identify and correct errors.

UHD management will follow the UHS policies and procedures and perform an annual reconciliation and true-up of GR-D net revenue. Journal entry support for payments made to the state will reflect reports from PeopleSoft Finance, including the reconciliations of GR-D funds, waivers, exemptions, TPEG, interest and bad debt.

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The UHS Department of Internal Auditing would like to thank the UHS Finance Departments for their cooperation and assistance during this audit process.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip W. Hurd". The signature is fluid and cursive, with a large initial "P" and "H".

Phillip W. Hurd
Chief Audit Executive
University of Houston System

PWH/pwh/AP Audit

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