

An Audit Report on

State Entity Compliance With Benefits Proportional by Fund Requirements

August 2002

Report No. 02-069



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State Entity Compliance With Benefits Proportional by Fund Requirements

Overall Conclusion

The Department of Health (Department), The University of Texas Medical Branch at Galveston (Medical Branch), and The University of Texas M.D. Anderson Cancer Center (Center) did not pay benefits proportionately to funding sources in fiscal year 2001 as the General Appropriations Act (76th Legislature) requires. Because of this, these entities reimbursed \$514,340 to General Revenue based on the original *Benefits Proportional by Fund Reports* they submitted. As a result of our audit, the Medical Branch coordinated with the Comptroller of Public Accounts (Comptroller) to make corrections that increased the Medical Branch's reimbursement to General Revenue by \$722,335. This brought the total reimbursement to General Revenue from all three entities to \$1,236,675.

The Department submitted its fiscal year 2001 *Benefits Proportional by Fund Report* almost three months after that report's due date. It reimbursed General Revenue \$96,723 approximately four months after submitting the report (during the course of our audit). However, we cannot provide full assurance about the accuracy of the \$96,723 reimbursement amount because (1) the Department did not document its rationale for its proportionality calculations and (2) in a prior audit, we found weaknesses in the Department's ability to provide reliable financial information.

According to the Comptroller, two state agencies—the Texas Forest Service and the State Board for Educator Certification—did not comply with the requirement to submit *Benefits Proportional by Fund Reports* for fiscal year 2001. In addition, neither agency submitted its report to the State Auditor's Office. Responses from both of these agencies appear in Appendix 2.

The General Appropriations Act requires all state entities that have multiple funding sources to file *Benefits Proportional by Fund Reports* annually. The accuracy of these reports is critical in preventing state entities from erroneously using General Revenue to pay employee benefits. While this audit report covers three state entities, we intend to audit additional entities' compliance with this requirement as part of future audits.

Background Information

- Section 9-6.11 (b), page IX-39, of the General Appropriations Act (76th Legislature) requires that "Unless otherwise specifically authorized by this Act, the funds appropriated by this Act out of the General Revenue Fund may not be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries or wages, if the salaries or wages are paid from a source other than the General Revenue Fund."
- Section 9-6.11 (d), page IX-39, of the General Appropriations Act (76th Legislature) requires that "Each agency or institution of higher education having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller and the State Auditor a schedule demonstrating proportionality."
- Section 9-6.11 (d), page IX-39, of the General Appropriations Act (76th Legislature) requires that "The State Auditor shall review ... the agencies' compliance with this section. The Comptroller, on receipt of notification from the State Auditor of amounts disproportionately paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from sources other than the General Revenue Fund."
- The *Benefits Proportional by Fund Report* specifies that employee benefits include the following: Social Security state match, group insurance, retirement contributions, higher education optional retirement programs, and benefit replacement pay.



Key Points

The Department of Health submitted its Benefits Proportional by Fund Report almost three months after the report's due date and reimbursed \$96,723 to General Revenue four months later.

The Department submitted its fiscal year 2001 *Benefits Proportional by Fund Report* to the Comptroller almost three months after the November 20, 2001, due date for that report. Based on the information in that report, the Department reimbursed General Revenue \$96,723 in June 2002 (during the course of our audit). This was approximately four months after the Department submitted its report.

According to the Department, its delay in submitting the *Benefits Proportional by Fund Report* and in reimbursing General Revenue was caused, in part, by the Department's ongoing transition to a new internal accounting system. Although we did not identify any significant errors in the method-of-funding or proportionality calculations on the Department's report, we cannot provide full assurance about the accuracy of the \$96,723 reimbursement amount because (1) the Department did not document its rationale for including or excluding funding amounts from its proportionality calculations and (2) in a March 2001 audit, we found weaknesses in the Department's business and financial practices that hindered its ability to provide reliable financial information.

The University of Texas Medical Branch at Galveston complied with reporting requirements, corrected errors in its Benefits Proportional by Fund Report, and made the necessary \$776,240 reimbursement to General Revenue.

The Medical Branch submitted its fiscal year 2001 *Benefits Proportional by Fund Report* by the due date and, based on the report, reimbursed General Revenue \$53,905. As a result of our audit, the Comptroller and the Medical Branch worked together to identify an omission in the information the Medical Branch specified on its *Benefits Proportional by Fund Report*. The Medical Branch subsequently reimbursed an additional \$722,335 to General Revenue.

The University of Texas M.D. Anderson Cancer Center complied with reporting requirements and made the necessary \$363,712 reimbursement to General Revenue.

The Center submitted its fiscal year 2001 *Benefits Proportional by Fund Report* by the due date. Our review found that the \$363,712 reimbursement the Center made to General Revenue was correct.

General Appropriations Act requirements could provide enhanced guidance on how to comply with proportionality requirements.

Through our analysis and discussions with the Legislative Budget Board and the Comptroller, we became aware that the General Appropriations Act does not specifically instruct state entities in how they should factor nonappropriated, local funds into their proportionality calculations. Clarification of this area could help ensure that state entities comply with the requirements of the General Appropriations Act.

We also noted that it is possible for state entities to circumvent the requirement to submit the *Benefits Proportional by Fund Report* by combining multiple sources of funding into a single operating fund within General Revenue. The General Appropriations Act does not currently prohibit state entities from doing this. Clarification of this area could also help to ensure that state entities comply with the requirements of the General Appropriations Act.

Summary of Management's Response

The reporting entities generally agree with our recommendations. Management responses from the reporting entities are included immediately following the recommendations in the report.

Summary of Objective, Scope, and Methodology

The objective of this audit was to determine state entities' compliance with salaries to be proportional by fund requirements of the General Appropriations Act (76th Legislature).

The scope of the audit included testing the fiscal year 2001 *Benefits Proportional by Fund Reports* that the Department, the Medical Branch, and the Center submitted.

Our methodology consisted of determining whether the three entities' *Benefits Proportional by Fund Reports* were accurate and whether these entities made necessary adjustments to General Revenue to achieve proportionality.

This audit did not include a review of information technology systems.

Table of Results, Recommendations, and Responses	
Results and Recommendations	Management's Response
The Department of Health submitted its <i>Benefits Proportional By Fund Report</i> almost three months after the report's due date and reimbursed \$96,723 to General Revenue four months later. (Page 2)	
The Department should:	
<ul style="list-style-type: none"> ▪ Implement controls that will enable it to submit the <i>Benefits Proportional by Fund Report</i> and make necessary reimbursements by the due date. 	Agree
<ul style="list-style-type: none"> ▪ Ensure that it reconciles information in its internal accounting system with information in the Uniform Statewide Accounting System (USAS). 	Agree
<ul style="list-style-type: none"> ▪ Fully document its rationale for including or excluding funding amounts from its proportionality calculations. 	Agree
The University of Texas Medical Branch at Galveston complied with reporting requirements, corrected errors in its <i>Benefits Proportional by Fund Report</i> , and made the necessary \$776,240 reimbursement to General Revenue. (Page 3)	
The Medical Branch should:	
<ul style="list-style-type: none"> ▪ Implement controls to ensure that it includes all required funding sources in the method of funding on future <i>Benefits Proportional by Fund Reports</i>. 	Agree
<ul style="list-style-type: none"> ▪ Work with the Comptroller to clarify how to report indigent-care funding on the <i>Benefits Proportional by Fund Report</i>. 	Agree
The University of Texas M.D. Anderson Cancer Center complied with reporting requirements and made the necessary \$363,712 reimbursement to General Revenue. (Page 4)	
The Center should work with the Comptroller to clarify the presentation of its optional retirement program expenses in its <i>Benefits Proportional by Fund Report</i> .	Agree
The General Appropriations Act could provide enhanced guidance on how to comply with proportionality requirements. (Page 5)	
None	

Recent SAO Work		
Number	Product Name	Release Date
01-026	A Review of the Salaries to Be Proportional by Fund Process	May 2001
01-021	An Audit Report on Financial Management at the Department of Health	March 2001
98-061	A Review of the Benefits Proportional by Fund Reports	August 1998

Contents

Detailed Results

Overall Conclusion 1

Chapter 1

The Department of Health Submitted Its Benefits Proportional by Fund Report Almost Three Months After the Report's Due Date and Reimbursed \$96,723 to General Revenue Four Months Later 2

Chapter 2

The University of Texas Medical Branch at Galveston Complied With Reporting Requirements, Corrected Errors in Its Benefits Proportional by Fund Report, and Made the Necessary \$776,240 Reimbursement to General Revenue 3

Chapter 3

The University of Texas M.D. Anderson Cancer Center Complied With Reporting Requirements and Made the Necessary \$363,712 Reimbursement to General Revenue 4

Chapter 4

The General Appropriations Act Could Provide Enhanced Guidance on How to Comply With Proportionality Requirements..... 5

Appendices

Appendix 1

Objective, Scope, and Methodology 7

Appendix 2

Management's Responses - State Board for Educator Certification and Texas Forest Service 9

Detailed Results

Overall Conclusion

The Department of Health (Department), The University of Texas Medical Branch at Galveston (Medical Branch), and The University of Texas M.D. Anderson Cancer Center (Center) did not pay benefits proportionately to funding sources in fiscal year 2001 as the General Appropriations Act (76th Legislature) requires. Because of this, these entities reimbursed \$514,340 to General Revenue based on the original *Benefits Proportional by Fund Reports* they submitted. As a result of our audit, the Comptroller of Public Accounts (Comptroller) and the Medical Branch subsequently worked together to identify an omission in the information the Medical Branch specified on its *Benefits Proportional by Fund Report*. The Medical Branch then reimbursed an additional \$722,335 to General Revenue, bringing the total reimbursement to General Revenue from all three entities to \$1,236,675.

Table 1 details the original reimbursement and additional reimbursement (if any) each entity made to General Revenue.

Table 1

Original and Revised Reimbursements to General Revenue, Fiscal Year 2001			
Entity	Original Reimbursement to General Revenue Based on Initial <i>Benefits Proportional by Fund Report</i>	Revised Reimbursement to General Revenue as a Result of Our Audit	Difference Between Original and Revised Reimbursement Amount
Department of Health	\$96,723	\$96,723	\$0
The University of Texas Medical Branch at Galveston	53,905	776,240	722,335
The University of Texas M.D. Anderson Cancer Center	363,712	\$363,712	0
Total	\$514,340	\$1,236,675	\$722,335

According to the Comptroller, two state agencies—the Texas Forest Service and the State Board for Educator Certification—did not comply with the requirement to submit *Benefits Proportional by Fund Reports* for fiscal year 2001. In addition, neither agency submitted its report to the State Auditor’s Office. According to the General Appropriations Act, both of these agencies had multiple sources of funding in fiscal year 2001. Responses from both agencies appear in Appendix 2.

The General Appropriations Act requires all state entities that have multiple funding sources to file *Benefits Proportional by Fund Reports* annually. The accuracy of these reports is critical in preventing state entities from erroneously using General Revenue to pay employee benefits. While this audit report covers three state entities’ compliance, we intend to audit additional entities’ compliance with this requirement as part of future audits.

The Department of Health Submitted Its Benefits Proportional by Fund Report Almost Three Months After the Report's Due Date and Reimbursed \$96,723 to General Revenue Four Months Later

The Department of Health (Department) submitted its fiscal year 2001 *Benefits Proportional by Fund Report* to the Comptroller almost three months after the report's November 20, 2001, due date. Based on the information in that report, the Department reimbursed General Revenue \$96,723 in June 2002 (during the course of our audit). This was approximately four months after the Department submitted its report.

According to the Department, its delay in submitting the *Benefits Proportional by Fund Report* and in reimbursing General Revenue was caused, in part, by the Department's ongoing transition to a new internal accounting system. At the time of our audit, the Department had not reconciled data in its internal accounting system with data in the Uniform Statewide Accounting System (USAS) since late in fiscal year 2001.

Although the Department erroneously included approximately \$80,700 in General Revenue on its *Benefits Proportional by Fund Report*, this error did not materially affect its required reimbursement to General Revenue. While we did not identify any significant errors in the method-of-funding or proportionality calculations on the Department's report, we cannot provide full assurance of the accuracy of the Department's \$96,723 reimbursement amount because of the following:

- The Department did not document its rationale for including or excluding funding amounts from its proportionality calculations. In determining whether to exclude funds from the proportionality calculations, the Department reports that it relies on institutional knowledge to interpret each rider's language.
- In a March 2001 audit, we found weaknesses in the Department's business and financial practices that hindered its ability to provide reliable financial information (see *An Audit Report on Financial Management at the Department of Health*, SAO Report No. 01-021, March 2001).

Finally, the adjustments identified as a result of the *Benefits Proportional by Fund Report*, once made, were obscured by the Department's practice of consolidating transactions.

Recommendations

The Department should:

- Implement controls that will enable it to submit the *Benefits Proportional by Fund Report* and make necessary reimbursements by the due date.
- Ensure that it reconciles information in its internal accounting system with information in USAS.

- Fully document its rationale for including or excluding funding amounts from its proportionality calculations.

Management's Response

Thank you for the opportunity to provide input on the recent review of the Texas Department of Health's (TDH) Benefits Proportional by Fund Report. We appreciate the State Auditor's diligence in obtaining an understanding of the Department's complex financial structure in the audit of this report.

TDH was delayed in submitting its Benefits Proportional by Fund Report for FY 2001 and making necessary reimbursements. We are currently implementing a process to ensure the report and necessary reimbursements are submitted by the due date.

TDH has striven to reconcile its accounting records with USAS during Fiscal Year 2002; however, we have not successfully completed that reconciliation for months subsequent to August, 2001. On September 1, 2001 the agency implemented a new accounting system. Thus, resources were diverted to ensure a successful implementation. Additionally, changes in the accounting system have required changes to the reconciliation process. Files and reports identified during the implementation have proven to be unwieldy, resulting in the current backlog. Staff has identified initial solutions which now must be reviewed for technical feasibility.

TDH is confident in the decisions made regarding inclusion and exclusion of funds in its proportionality calculations. However, we concur that better documentation is appropriate to support the actions taken and provide better tools for training staff.

We do not believe the issues identified in the March 2001 audit report affect the reliability of the Benefits Proportional by Fund Report. Nor was there any attempt to obscure information by consolidation of the adjustments. Consolidation of the adjustments was necessary to reduce what would otherwise be hundreds of lines of coding.

Chapter 2

The University of Texas Medical Branch at Galveston Complied With Reporting Requirements, Corrected Errors in Its Benefits Proportional by Fund Report, and Made the Necessary \$776,240 Reimbursement to General Revenue

The University of Texas Medical Branch at Galveston (Medical Branch) submitted its fiscal year 2001 *Benefits Proportional by Fund Report* to the Comptroller by the November 20, 2001, due date. However, as a result of our audit, the Comptroller and the Medical Branch subsequently worked together to identify an \$11,862,092 omission in the method-of-funding information the Medical Branch specified on the report. The Medical Branch then submitted a revised report that increased its reimbursement to General Revenue from \$53,905 to \$776,240. The Medical Branch made the necessary additional reimbursement of \$722,335 to General Revenue.

In reviewing the Medical Branch's *Benefits Proportional by Fund Report*, we also noted that the Medical Branch included \$9,688,766 in indigent-care funding in its

method of funding. The Comptroller's Accounting Policy Statement 011, which provides state entities with guidance on how to prepare the report, does not specifically address how state entities should report this and other types of funding. If the Medical Branch had excluded indigent-care funds from its method of funding (as it did in the prior fiscal year), its required reimbursement to General Revenue would have been reduced.

Recommendations

The Medical Branch should:

- Implement controls to ensure that it includes all required funding sources in the method of funding on future *Benefits Proportional by Fund Reports*.
- Work with the Comptroller to clarify how to report indigent-care funding on the *Benefits Proportional by Fund Report*.

Management's Response

The University of Texas Medical Branch at Galveston (Medical Branch) has reviewed the process utilized to generate the APS011 and has inserted additional review points in order to ensure the accuracy of the report.

The Comptroller of Public Accounts (CPA) has validated the Medical Branch's inclusion of the Indigent Care Fund as General Revenue in the proportionality calculation purposes for Fiscal Year 2002. In addition, based upon this determination, the CPA is allowing the Medical Branch to amend the Fiscal Year 2000 APS011. This change created an amount due to the Medical Branch of \$1,705,140 for its under-reimbursed staff benefits.

The Medical Branch is currently working with the CPA to resolve the FY2000 and FY2001 amendments. This results in an additional net reimbursement to the Medical Branch of \$928,894. It is expected all balances will be cleared by August 31, 2002.

Chapter 3

The University of Texas M.D. Anderson Cancer Center Complied With Reporting Requirements and Made the Necessary \$363,712 Reimbursement to General Revenue

The University of Texas M.D. Anderson Cancer Center (Center) submitted its fiscal year 2001 *Benefits Proportional by Fund Report* by the due date. Our review found that the Center's reimbursement of \$363,712 to General Revenue was correct.

However, we noted that the Center did not report optional retirement program expenses properly on its *Benefits Proportional by Fund Report*. This did not affect the accuracy of its reimbursement amount. The Center, like most reporting entities, develops its calculations relating to proportionality outside of the *Benefits Proportional by Fund Report*.

Recommendation

The Center should work with the Comptroller to clarify the presentation of its optional retirement program expenses in its Benefits Proportional by Fund Report.

Management’s Response

We agree that we submitted our report by the due date and our reimbursement amount to General Appropriations was correct. We will work with the State Comptroller’s Office to enhance clarity in the report presentation.

Chapter 4

The General Appropriations Act Could Provide Enhanced Guidance on How to Comply With Proportionality Requirements

Through our analysis and discussions with the Legislative Budget Board and the Comptroller, we became aware that the General Appropriations Act does not specifically instruct state entities in how they should factor nonappropriated, local funds into the proportionality calculations.

Section 9-6.11(a) of the salaries to be proportional by fund requirements in the General Appropriations Act (76th Legislature) specifies that:

Unless otherwise provided, payment for salaries, wages, and benefits paid from appropriated funds, including “local funds” and “education and general funds” as defined in Sections 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.

However, subsequent sections of the requirements do not specifically limit funding sources to appropriated funds.

As Table 2 indicates, both the Medical Branch and the Center pay significant percentages of their employee benefits with nonappropriated, local funds. Neither the Medical Branch nor the Center included nonappropriated, local funds in its proportionality calculations. Clarification of this matter could help to ensure that state entities comply with the requirements of the General Appropriations Act.

Table 2

Funding Sources for Estimated Expenditures for Employee Benefits, Fiscal Year 2001			
Entity	Employee Benefits Paid With Appropriated Funds	Employee Benefits Paid With Nonappropriated, Local Funds	Total Employee Benefits
The University of Texas Medical Branch at Galveston	\$94,062,693 (73 percent of benefits)	\$34,960,808 (27 percent of benefits)	\$129,023,501
The University of Texas M.D. Anderson Cancer Center	\$84,083,644 (69 percent of benefits)	\$38,125,362 (31 percent of benefits)	\$122,209,006

Source: *Benefits Proportional by Fund Reports* submitted by The University of Texas Medical Branch at Galveston and The University of Texas M.D. Anderson Cancer Center. Estimates of benefit expenditures are from each entity’s Annual Financial Report.

We also noted that it is possible for state entities to circumvent the requirement to submit the *Benefits Proportional by Fund Report* by combining multiple sources of funding into a single operating fund. The General Appropriations Act does not currently prohibit state entities from doing this.

Clarification of this matter could also help to ensure that state entities comply with the requirements of the General Appropriations Act.

The text box below contains the text of the salaries proportional by fund requirements set forth in the General Appropriations Act (76th Legislature).

Section 9-6.11, page IX-39, the General Appropriations Act (76th Legislature)*

Sec. 9-6.11. Salaries to be Proportional by Fund.

- (a) Unless otherwise provided, payment for salaries, wages, and benefits paid from appropriated funds, including “local funds” and “education and general funds” as defined in Sections 51.009 (a) and (c), Education Code, shall be proportional to the source of funds.
- (b) Unless otherwise specifically authorized by this Act, the funds appropriated by this Act out of the General Revenue Fund may not be expended for employee benefit costs, or other indirect costs, associated with the payment of salaries or wages, if the salaries or wages are paid from a source other than the General Revenue Fund. Payments for employee benefit costs for salaries and wages paid from sources, including payments received pursuant to interagency agreements or as contract receipts, other than the General Revenue Fund shall be made in proportion to the source of funds from which the respective salary or wage is paid or, if the Comptroller determines that achieving proportionality at the time the payment is made would be impractical or inefficient, then the General Revenue Fund shall be reimbursed for any such payment made out of the General Revenue Fund.
- (c) The Comptroller shall develop rules to provide for the administration of this section.
- (d) Each agency or institution of higher education having General Revenue Fund appropriations and other sources of financing shall file with the Comptroller and the State Auditor a schedule demonstrating proportionality. The schedule shall be filed before November 20th following the close of the fiscal year for the salaries, wages, and benefits of the preceding year ended August 31. The schedule shall be in a format prescribed by the Comptroller. The State Auditor shall review (in the State Auditor’s audit of respective agencies) the agencies’ compliance with this section. The Comptroller, on receipt of notification from the State Auditor of amounts disproportionately paid from General Revenue Fund appropriations, shall reduce current year General Revenue Fund appropriations of the agency or institution until such time as such amounts are repaid from sources other than the General Revenue Fund.

*Note: The salaries to be proportional by fund requirement remained unchanged in the General Appropriations Act, 77th Legislature.

Appendices

Appendix 1

Objective, Scope, and Methodology

Appendix 1-A

Objective

The objective of this audit was to determine agencies' compliance with salaries to be proportional by fund requirements of the General Appropriations Act (76th Legislature). The General Appropriations Act requires the State Auditor's Office to audit state entity compliance with this requirement.

Appendix 1-B

Scope

The scope of the audit included testing the fiscal year 2001 *Benefits Proportional by Fund Reports* that the Department of Health, The University of Texas Medical Branch at Galveston, and The University of Texas M.D. Anderson Cancer Center submitted.

Appendix 1-C

Methodology

Our methodology consisted of determining whether the three entities' *Benefits Proportional by Fund Reports* were accurate and whether these entities made necessary adjustments to General Revenue to achieve proportionality. This audit did not include a review of information technology systems.

Information collected to accomplish our objectives included the following:

- *Benefits Proportional by Fund Reports* submitted by selected state entities
- Documentation from the review of *Benefits Proportional by Fund Reports* by the Comptroller of Public Accounts (Comptroller)
- Documentation from selected entities' *Benefits Proportional by Fund Reports* and supporting calculations

Procedures, tests, and analyses performed included the following:

- Review of entities' identified methods of funding and benefit expenditure amounts
- Recalculation of *Benefits Proportional by Fund Reports*
- Comparison of *Benefits Proportional by Fund Reports* with State Auditor's Office and Comptroller's reviews
- Verification of General Revenue adjustment processing

Information resources reviewed included the Uniform Statewide Accounting System.

Criteria to accomplish our objectives included the following:

- Article IX, Section 9-6.11, General Appropriations Act (76th Legislature)
- Comptroller's Accounting Policy Statement 011 – Benefits to be Proportional by Fund

Appendix 1-D

Other Information

We conducted fieldwork from March 2002 through May 2002. We conducted this audit according to applicable professional standards, including generally accepted government auditing standards. There were no significant instances of noncompliance with these standards.

The following members of the State Auditor's staff performed the audit work:

- Ileana Barboza, MBA (Project Manager)
- Rene Valadez (Assistant Project Manager)
- Kim McDonald (Quality Control Reviewer)
- Julie Ivie, CIA (Audit Manager)
- Frank Vito, CPA (Audit Director)

Management's Responses - State Board for Educator Certification and Texas Forest Service



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Keith Sockwell

James Windham

Executive Director

William M. Franz

August 12, 2002

Rene Valadez
Senior Auditor
State Auditor's Office
P.O. Box 12067
Austin, TX 78701-2067

Dear Mr. Valadez:

Thank you for the opportunity to respond to the SAO report that includes the following draft language:

"The General Appropriations Act requires all state entities that have multiple funding sources to file Benefits Proportional by Fund Reports annually. The accuracy of these reports is critical in preventing state entities from erroneously using General Revenue to pay employee benefits. While our current report covers three state entities, we intend to continue auditing additional entities' compliance with this requirement as part of future audits. We also noted that two state agencies-the Texas Forest Service and the State Board for Education Certification-did not comply with the requirement to submit Benefits Proportional by Fund Reports for fiscal year 2001."

SBEC response:

"The State Board for Educator Certification (SBEC) wishes to thank the SAO for the opportunity to respond to the mention in this report. SBEC would also like to thank Comptroller's staff and SAO staff for technical assistance we received that has enabled us to complete our filing requirements."

Sincerely,

A handwritten signature in black ink, appearing to read "W Franz".

William Franz
Executive Director
SBEC

Cc:
Art Lacy, Chairman of Finance Committee, SBEC
Dorothy Roberts, ACO, Comptroller
Kevin Wherry, Internal Audit, Rupert & Associates
Stephen Wright, CFO, SBEC

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5.311

August 5, 2002

Mr. Lawrence F. Alwin
State Auditor
Robert E. Johnson Building
1501 North Congress Avenue
Austin, TX 78701

Subject: Benefits Proportional by Fund Report

Dear Mr. Alwin:

I would like to thank you and your staff for the opportunity to respond to your report on compliance with the required filing of the Benefits Proportional by Fund Report for FY2001. We are committed to excellence in all areas of our operations and appreciate the assistance your audit reports provide us in achieving this goal.

With regards to the finding pertaining to the Texas Forest Service, we are in full agreement. We failed to file the Benefits Proportional by Fund Report by the required due date. However, I am pleased to inform you that we have recently submitted the report to the State Comptroller's Office. Additionally, we have made a number of staffing changes, including the hiring of a new Chief Fiscal Officer, which will ensure that we comply with this and other required reporting in the future.

Please do not hesitate to contact me should you have further questions regarding this matter. Thank you again for providing us with this opportunity to respond to the compliance report.

Sincerely,

A handwritten signature in black ink, appearing to read "James B. Hull", written over a large, circular scribble or flourish.

James B. Hull
Director and State Forester

cc: Cathy Smock

Office of the Director
John B. Connally Building ★ 301 Tarrow, Suite 364 ★ College Station, Texas 77840-7896
TEL: 979/458-6600 ★ FAX 979/458-6610
<http://tx.forestservicetamu.edu>

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The Honorable Rick Perry, Governor

The University of Texas M.D. Anderson Cancer Center

Dr. John Mendelsohn, President

The University of Texas Medical Branch at Galveston

Dr. John Stobo, President

The University of Texas System

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The Honorable Mark G. Yudof, Chancellor

Department of Health

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Mr. James B. Hull, State Forest Director

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