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State Auditor

An Audit Report on

**Compliance with Benefits
Proportional by Fund
Requirements at Selected State
Entities**

March 2014
Report No. 14-027



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Overall Conclusion

For appropriation year 2012¹, all four agencies audited submitted a *Benefits Proportional by Fund Report* to the Office of the Comptroller of Public Accounts (Comptroller) by the required due date. However, auditors identified errors in the reports for all four agencies and inconsistencies among the agencies in how each agency prepared its report. The errors identified included the failure to include group retiree insurance payments, the incorrect inclusion or exclusion of certain types of revenue or expenditures, and the misclassification of federal and state funds. Three of the four agencies audited also did not separately include required documentation on retiree group insurance expenses (see Chapter 1-A).

In addition, three of the four agencies audited did not have current policies and procedures for the preparation of their *Benefits Proportional by Fund Reports* and two agencies made proportionality calculations incorrectly, which resulted in auditors identifying additional needed adjustments or refunds.

The requirements to pay benefits proportionally to funding sources were set forth on page IX-28, Section 6.08, of the General Appropriations Act (82nd Legislature) and in the Comptroller's Accounting Policy Statement (APS) 011 (see text box for additional details).

To comply with APS 011 requirements, 160 agencies and higher education institutions were required to submit a *Benefits Proportional by Fund Report* or a single source letter for appropriation years 2012 and 2013 to the Comptroller and the State Auditor's Office. State entities can file a single source letter instead of a

Background Information

The four agencies audited were:

- The Water Development Board.
- The Department of Assistive and Rehabilitative Services.
- The Department of Family and Protective Services.
- The School for the Deaf.

Proportionality requirements apply to agencies' and higher education institutions' appropriated General Revenue and other sources of funding. Under the General Appropriations Act (82nd Legislature), page IX-28, Section 6.08, state entities are required to:

- Maximize balances in the General Revenue Fund by paying benefits proportional to the source of funds, unless otherwise provided.
- Refrain from using General Revenue funds to pay for benefit costs associated with salaries and wages paid from any source other than General Revenue.
- Submit *Benefits Proportional by Fund Reports* demonstrating proportionality by November 19 for the preceding appropriation year.

¹ Appropriation year refers to the year that the legal authorization for a charge (appropriation) was made by the Legislature (September 1 through August 31).

Benefits Proportional by Fund Report if they are funded from a single fund and that fund does not include federal funds. According to unaudited data provided by the Office of the Comptroller:

- Of the 160 state entities required to submit a report or letter for appropriation year 2012, 5 entities (3 percent) did not submit a required report or letter.
- Of the 160 state entities required to submit a report or letter for appropriation year 2013, 4 (3 percent) did not submit a report or letter.

Throughout the fiscal year, state entities pay employee benefit expenses such as Social Security contributions, group insurance, and retirement using the funds from which employees' salaries are paid. To comply with the General Appropriations Act, Article IX, Section 6.08, state entities must submit a *Benefits Proportional by Fund Report* to the Comptroller each November that determines whether benefit expenses should be reallocated among different funds, such as General Revenue, Dedicated General Revenue, federal funds, or other funds (including higher education institution local funds).

To determine what adjustments need to be made to achieve proportionality, agencies and higher education institutions complete a worksheet that lists (1) the percentage of total funding that each funding source represents, (2) how much each funding source has paid in benefit expenditures throughout the year, and (3) how much each funding source should pay in benefit expenditures to cover its necessary percentage of total benefits-related expenditures.

Auditors communicated other, less significant issues to the entities separately in writing.

Summary of Management's Response

The four agencies audited agreed with the recommendations in this report. Each agency's detailed management responses are presented immediately following each set of recommendations in the Detailed Results section of this report.

Summary of Information Technology Review

Auditors relied upon work conducted in previous audits to gain assurance about the reliability of the data in the agencies' internal accounting systems and in the State's Uniform Statewide Accounting System. See Appendix 4 for a list of the previous audits. Based on that work, auditors determined that the information in the systems that supported the information reported in the agencies' *Benefits Proportional by Fund Reports* was sufficiently reliable for purposes of this audit.

Summary of Objective, Scope, and Methodology

The objective of this audit was to determine whether state entities required to pay benefits proportionally by fund complied with APS 011 reporting requirements and processed needed adjustments to accomplish proportionality.

The scope of the audit included *Benefits Proportional by Fund Reports* for appropriation year 2012 for state entities in Article II, Article III, and Article VI² of the General Appropriations Act (82nd Legislature). Auditors also performed limited procedures on data provided by the Comptroller to determine whether state entities submitted *Benefits Proportional by Fund Reports* for appropriation years 2012 and 2013.

The audit methodology included obtaining the *Benefits Proportional by Fund Report* and supporting documentation for the four agencies audited, comparing information in the reports with information from the agencies' internal accounting systems and the Uniform Statewide Accounting System, conducting interviews with agency personnel, and reviewing the reports and supporting documentation for accuracy and compliance with the APS 011 reporting requirements and applicable federal regulations.

² General Appropriations Act (82nd Legislature), page IX-28, Section 6.08, required the State Auditor's Office to conduct periodic benefits proportional by fund audits only for state entities in Articles II, III, and VI.

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Detailed Results

Chapter 1

All Four Agencies Audited Should Improve Their Controls to Help Ensure Compliance with Proportionality Requirements

Auditors reviewed the accuracy of the appropriation year³ 2012 *Benefits Proportional by Fund Reports* submitted by the Water Development Board, the Department of Assistive and Rehabilitative Services, the Department of Family and Protective Services, and the School for the Deaf. Each of the agencies submitted its report by the required due date. However, auditors identified inconsistencies in the reporting of retiree group insurance expenses at three of the agencies audited, and two agencies did not report legal citations for all funds excluded from reporting as required by the Office of the Comptroller of Public Accounts' (Comptroller) Accounting Policy Statement (APS) 011. In addition, three of the four audited agencies had not developed or updated policies and procedures for the preparation of the report. Finally, the agencies differed in how they compiled funding sources and benefit expense amounts.

All four agencies audited had errors in their reports. However, only two of the agencies, the Water Development Board and Department of Assistive and Rehabilitative Services, had errors in their reports that led to further adjustments needed between the General Revenue Fund and federal funds, Dedicated General Revenue funds, or other funds. The Department of Family and Protective Services and the School for the Deaf also had errors in their reports; however, those errors did not require any adjustments.

Chapter 1-A

Not All Agencies Documented Their Retiree Group Insurance Expenses or Had Complete and Current Policies and Procedures

Three of the four agencies audited—the Water Development Board, the Department of Family and Protective Services, and the School for the Deaf — did not document retiree group insurance expenses separately on their appropriation year 2012 *Benefits Proportional by Fund Reports* as required by the Comptroller's APS 011. The amount allocated to the agencies for retiree group insurance cannot be determined based on the *Benefits Proportional by Fund Reports* if that amount is not separately identified in the reports.

³ Appropriation year refers to the year that the legal authorization for a charge (appropriation) was made by the Legislature (September 1 through August 31).

Two of the four agencies audited—the Water Development Board and the School for the Deaf—did not have documented policies and procedures related to the completion of the *Benefits Proportional by Fund Report*. While a third agency, the Department of Assistive and Rehabilitative Services, had documented policies and procedures, those policies and procedures were outdated. Documented, up-to-date policies and procedures can help a state entity complete a consistent and accurate *Benefits Proportional by Fund Report*.

Recommendations

The Water Development Board, the Department of Family and Protective Services, and the School for the Deaf should use the most recent *Benefits Proportional by Fund Report* form, available from the Comptroller, to ensure that they complete all required elements when preparing their *Benefits Proportional by Fund Reports*.

The Water Development Board and the School for the Deaf should develop and maintain documented policies or procedures related to the completion of the *Benefits Proportional by Fund Report*.

The Department of Assistive and Rehabilitative Services should implement a process to regularly update its policies and procedures to match its current processes and to include all current Comptroller requirements and guidelines.

Management's Response from the Water Development Board

- (i) *The Board agrees with the need to use the most recent Benefits Proportional by Fund Report form and to ensure that all required elements of the Benefits Proportional by Fund Reports are completed. As a corrective action plan, management has enhanced its quality control procedures by re-emphasizing (to staff) the need to utilize the most recent form. In addition, management has enhanced its review process to include ensuring all required elements are completed.*

Implementation Date: February 12, 2014.

Responsible Person: Chief Finance Officer

- (ii) *The Board agrees, and is in the process of developing policies and procedures for the completion of the Benefits Proportional by Fund Reports.*

Implementation Date: August 31, 2014

Responsible Person: Chief Finance Officer

Management's Response from the Department of Family and Protective Services

The Accounting Division contacted the Texas Comptroller of Public Accounts and requested an "un-locked" version of the most recent Benefits Proportional by Fund Report form, and began using the current version for the 2013 Benefits Proportional by Fund Report submitted on November 19, 2013. DFPS Accounting has added a task in its Desk Procedures to verify yearly the most recent version of the form.

Responsible Party: Director of Accounting

Completion Date: November 2013

Management's Response from the School for the Deaf

Texas School for the Deaf (TSD) acknowledges that for the Appropriation Year 2012 (AY12) Benefits Proportional by Fund Report (APS11 report), we used an old version of the required form. TSD has already submitted a revised report incorporating the updated APS11 form to the Comptroller and the State Auditor's Office. This correction did not result in any additional proportionality adjustments.

TSD has already developed and will maintain written instructions to facilitate the preparation of the APS11 report. Since the official policies and procedures are published and maintained by the Comptroller, we will coordinate our internal instructions with those published by the Comptroller prior to any subsequent submissions of the APS11 report.

Management's Response from the Department of Assistive and Rehabilitative Services

DARS agrees that the Policies and Procedures needed to be updated to the current processes used to complete the Benefits Proportional by Fund Report. DARS updated the Policies and Procedures Manual on August 30, 2013, with step-by step processes including what sources to use and exactly what comp codes to include in column 2 (Financing Sources Amount) and include in column 3 (Exclude Funds with Salary Restrictions). These updated policies and procedures now match to the Comptroller's requirements and guidelines. These policies and procedures will be reviewed biennially when the Comptroller's Office updates their requirements and guidelines.

The Water Development Board Did Not Correctly Account for All Funding Sources, Restrictions, or Benefits Paid, Which Resulted in Erroneous Proportionality Adjustments

The Water Development Board (Board) accurately calculated total benefits expenditures on its appropriation year 2012 *Benefits Proportional by Fund Report*. However, there were other errors in both sections of the *Benefits Proportional by Fund Report*.

The Board did not correctly classify the benefits expenditures in the Benefits Worksheet section of its report. (See Appendix 3 for a copy of the *Benefits Proportional by Fund* report template.) The Board understated benefits paid by federal funds by \$36,170 because it classified those funds as expenditures of other types of funds.

In addition, the Board did not correctly calculate all funding sources in the Financing Sources section of the report. Specifically:

- The Board based its calculation for financing sources on fiscal year 2012 amounts, instead of appropriation year 2012 amounts as required. That resulted in errors in the reported General Revenue funds, other funds, and federal funds with an overall effect, after exclusions, of overstating General Revenue by \$27,332.
- The Board made a calculation error and erroneously excluded \$20,020 in other funds, which affected the final funding proportionality percentage for other funds. That error, when combined with the General Revenue error identified above, led to a total of \$47,352 in errors in the Financing Sources section of the Board's *Benefits Proportional by Fund Report* that affected the Board's overall funding proportionality percentage calculation.

As a result of the errors on the Board's appropriation year 2012 *Benefits Proportional by Fund Report*, the Board should make an additional funding proportionality adjustment of \$4,984 from General Revenue funds to other funds.

In addition, while the Board provided some legal citations to support its exclusion of certain funding sources and expenditures from the proportionality calculation, the Board did not provide legal citations for all funds it excluded, as required by the Comptroller's APS 011.

Recommendations

The Water Development Board should develop a process to ensure that:

- It calculates funding sources using the appropriation year and not the fiscal year.
- It correctly calculates and classifies funding sources and expenditures on its *Benefits Proportional by Fund Report*.
- All exclusions of amounts from proportionality calculations are supported by legal citations on its *Benefits Proportional by Fund Report*.

Management's Response from the Water Development Board

The Board is in the process of making the additional funding proportionality adjustment of \$4,984 from its General Revenue fund to other funds. In addition, the Board is enhancing its quality control procedures to include checking and (where necessary) re-performing the calculations and classifications and ensuring any exclusions are adequately supported with appropriate legal citations.

Implementation Date: February 28, 2014

Responsible Person: Chief Financial Officer

Chapter 1-C

The Department of Assistive and Rehabilitative Services Did Not Correctly Account for All Funding Sources, Which Resulted in Erroneous Proportionality Adjustments

The Department of Assistive and Rehabilitative Services (DARS) correctly identified, calculated, and presented the actual amounts by financing source for “Benefits Paid” in the Benefits Worksheet section of its appropriation year 2012 *Benefits Proportional by Fund Report* (see Appendix 3 for an example of the report template).

However, there were errors in other parts of DARS’s *Benefits Proportional by Fund Report*. As a result of those errors, the federal and General Revenue Dedicated funds were not refunded an additional \$5,787 and \$4,630, respectively, from DARS’s General Revenue funds. Specifically, DARS incorrectly calculated its required funding proportion percentages for its *Benefits Proportional by Fund Report* by (1) not including amounts totaling \$124,169 in the “Sources of Funding” column for General Revenue – Dedicated, federal, and other funds and (2) reporting General Revenue budgeted funding rather than the actual amount of General Revenue received

and overstating “Sources of Funding” by \$112,855. The net effect of those errors was that DARS understated the “Sources of Funding” amount by a total of \$11,314. Based on recalculated funding proportion percentages, DARS should refund \$5,787 from General Revenue to federal funds and \$4,630 to General Revenue-Dedicated funds.

In addition, DARS did not provide legal citations for the funds it excluded from its proportionality calculation on its appropriation year 2012 *Benefits Proportional by Fund Report* as required by the Comptroller’s APS 011.

Recommendations

DARS should develop a process to ensure that:

- It correctly calculates funding sources on the *Benefits Proportional by Fund Report*.
- All exclusions of amounts from proportionality calculations are supported by legal citations on its *Benefits Proportional by Fund Report*.

Management’s Response from the Department of Assistive and Rehabilitative Services

DARS agrees.

In the future, DARS will utilize all revenues collected in USAS as the source for Federal Funds, General Revenue Dedicated Funds, and Other Funds. DARS has documented the comp codes to include in column 2 (Financing Sources Amount) in the updated Policies and Procedures. This step-by-step process will eliminate the error of using the budgeted amount instead of the collected amount recorded in USAS.

In addition, the exclusions will be supported with the legal sites for each of the exclusions (in column 3). This process was included in the updated Policies and Procedures manual on August 30, 2013.

The Department of Family and Protective Services Correctly Calculated Its Required Proportion Percentages; However, It Incorrectly Calculated Benefits Expenditures

The Department of Family and Protective Services (DFPS) correctly calculated its required funding proportion percentages and included the appropriate legal citations to support the funding sources and expenditures that it excluded from the proportionality calculation in its appropriation year 2012 *Benefits Proportional by Fund Report*.

However, DFPS understated its benefits expenditures by \$8,111,890 on the Benefits Worksheet section of its *Benefits Proportional by Fund Report* (see Appendix 3 for an example of the report template). The miscalculations were due to DFPS (1) incorrectly excluding retiree group insurance expenditures of \$11,684,027 and (2) including additional expenditures of \$3,572,137 that were not allowed. Although those errors affected its proportionality adjustments, DFPS is not required to make adjustments because its cost allocation plan⁴ requires DFPS to spend federal funds only on items related to federal purposes. Therefore, DFPS cannot use those federal funds to pay for certain portions of state-provided benefits.

Recommendations

DFPS should develop a process to ensure that:

- It documents and includes expenditures related to retiree group insurance in its *Benefits Proportional by Fund Report*.
- It correctly calculates expenditures on its *Benefits Proportional by Fund Report*.

Management's Response from the Department of Family and Protective Services

DFPS has updated its procedures to include the ERS Insurance State Contribution-Retiree in the "Retiree Group Insurance Costs box in Section II-b - Group Insurance. As instructed during the Exit Conference with the State Auditor's staff on October 15, 2013, the ERS Insurance State Contribution-Retiree amount is also included in Column 3, "Benefits Excluded".

DFPS has updated its procedures to exclude Comp Object Codes 7033 and 7042 from the Benefits Proportional by Fund report, Section II; IIb - Group Insurance.

⁴ The U.S. Office of Management and Budget Circular A-87 requires DFPS to submit a public assistance cost allocation plan and have that plan approved by the U.S. Department of Health and Human Services.

Responsible Party: Director of Accounting

Completion Date: November 2013

Chapter 1-E

The School for the Deaf Correctly Calculated Its Required Funding Proportion Percentages; However, It Incorrectly Reported Benefit Expenditures

The School for the Deaf (School) appropriately calculated its required funding proportion percentages and included the appropriate legal citations to support the funding sources and expenditures that it excluded from the proportionality calculation on its appropriation year 2012 *Benefits Proportional by Fund Report*. However, auditors identified the following errors in the School's Benefits Worksheet section of its *Benefits Proportional by Fund Report* (see Appendix 3 for an example of the report template):

- The School understated its expenditures in the "Actual Benefits Paid" column by \$830,142. This error was due to the School (1) double counting \$195,402 of benefits expenditures from federal funds and (2) failing to include retiree group insurance expenses of \$1,025,544 paid on behalf of the School by the Employees Retirement System of Texas.
- The School inappropriately classified \$158,858 in federal fund expenditures as General Revenue expenditures.

These errors did not result in any needed changes in the School's required proportionality adjustments. Because the School appropriately excluded all federal funding from its proportionality calculations, it has only one source of funding (General Revenue) subject to proportionality calculations, and the School's benefits payments are necessarily proportionate as a result.

Recommendations

The School should develop a process to ensure that:

- It correctly calculates and classifies funding sources and expenditures on its *Benefits Proportional by Fund Report*.
- It documents and includes expenditures related to retiree group insurance in its *Benefits Proportional by Fund Report*.

Management's Response from the School for the Deaf

TSD acknowledges that for the AY12 APS11 report, we accidentally misclassified some federal expenditures under General Revenue that should have been reported under Federal Funds. The error was corrected and a revised report was submitted to the Comptroller and the State Auditor's Office. This correction did not result in any additional proportionality adjustments.

TSD acknowledges that for the AY12 APS11 report, we used an old version of the APS11 report form which did not require a separate presentation of retiree group insurance expenditures. After further analysis, it was determined that retiree group insurance costs totaling \$1,025,544.07 were omitted from the report. The error was corrected and a revised report was submitted to the Comptroller and the State Auditor's Office. This correction did not result in any additional proportionality adjustments.

Agencies and Higher Education Institutions Generally Complied with Proportionality Reporting Requirements

The majority of agencies and higher education institutions submitted *Benefits Proportional by Fund Reports* for appropriation years⁵ 2012 and 2013 as required by the General Appropriations Act and APS 011. According to unaudited information provided by the Comptroller⁶:

- Of the 160 agencies and higher education institutions required to submit a *Benefits Proportional by Fund Report* or single source letter for appropriation year 2012, 143 (89 percent) submitted their reports by the required due date of November 19, 2012. Twelve entities (8 percent) submitted their report or letter late and 5 entities (3 percent) did not submit a required report or letter by February 19, 2014.
- Of the 160 agencies and higher education institutions required to submit a *Benefits Proportional by Fund Report* or single source letter for appropriation year 2013, 140 (87 percent) submitted their reports by the required due date of November 19, 2013. Sixteen entities (10 percent) submitted their report or letter late and 4 entities (3 percent) did not submit a required report or letter as of February 19, 2014.

See Appendix 2 for a list of the agencies that did not submit reports according to unaudited information from the Office of the Comptroller for appropriation years 2012 and 2013.

⁵ Appropriation year refers to the year that the legal authorization for a charge (appropriation) was made by the Legislature (September 1 through August 31).

⁶ Although auditors did not audit the information provided by the Comptroller, auditors compared the *Benefits Proportional by Fund Report* submission information for all state entities maintained by the Comptroller to the submission information maintained by the State Auditor's Office for appropriation years 2012 and 2013.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether state entities required to pay benefits proportionally by fund complied with the Office of the Comptroller of Public Accounts' (Comptroller) Accounting Policy Statement (APS) 011 reporting requirements and processed needed adjustments to accomplish proportionality.

Scope

The scope of this audit included *Benefit Proportional by Fund Reports* for appropriation year⁷ 2012 for state entities in Article II, Article III, and Article VI of the General Appropriations Act (82nd Legislature). Auditors also performed limited procedures to determine whether state entities submitted *Benefits Proportional by Fund Reports* by the due dates for appropriation years 2012 and 2013.

Methodology

The audit methodology included obtaining the *Benefits Proportional by Fund Report* and supporting documentation for the four entities audited, comparing information in the reports with information from the agencies' internal accounting systems and the Uniform Statewide Accounting System, conducting interviews with agency personnel, and reviewing the reports and supporting documentation for accuracy and compliance with the APS 011 reporting requirements and applicable federal regulations.

The four audited entities were:

- The Water Development Board.
- The Department of Assistive and Rehabilitative Services.
- The Department of Family and Protective Services.
- The School for the Deaf.

Auditors relied upon work conducted in previous audits to gain assurance about the reliability of the data in the agencies' internal accounting systems

⁷ Appropriation year refers to the year that the legal authorization for a charge (appropriation) was made by the Legislature (September 1 through August 31).

and in the Uniform Statewide Accounting System. See Appendix 4 for a list of the previous audits. Based on that work, auditors determined that the information in the systems that supported the information reported in the agencies' *Benefits Proportional by Fund Reports* was sufficiently reliable for purposes of this audit.

In addition, the auditors reviewed information obtained from the Comptroller to determine whether state entities submitted reports in a timely manner based on the due date set forth in APS 011 for appropriation years 2012 and 2013.

Information collected and reviewed included the following:

- *Benefits Proportional by Fund Report* submission information for all state entities maintained by the Comptroller and the State Auditor's Office for appropriation years 2012 and 2013.
- Documentation supporting the *Benefits Proportional by Fund Reports* submitted by the four agencies audited.
- Appropriation year 2012 benefits expenditure information in the Uniform Statewide Accounting System and in each audited agency's internal accounting system.
- The *Benefits Proportional by Fund Report* template and related instructions, maintained on the Comptroller's Web site.
- Previous State Auditor's Office reports, as referenced in Appendix 4.

Procedures and tests conducted included the following:

For the four agencies audited:

- Reviewed each agency's process for preparing the *Benefits Proportional by Fund Report*.
- Reviewed each agency's policies and procedures, if any, for the completion of the *Benefits Proportional by Fund Report*.
- Reviewed each agency's legal citations supporting its exclusion of certain funds from the proportionality calculation.
- Determined whether each agency reported accurate and complete funding sources and benefits payments on its *Benefits Proportional by Fund Report*.
- Reviewed each agency's *Benefits Proportional by Fund Report* to ensure that adjustments were correctly calculated.
- Interviewed agency and Comptroller personnel.

For all state entities:

- Reviewed the Comptroller's lists of state entity submission dates for *Benefits Proportional by Fund Reports* for appropriation years 2012 and 2013.
- Compared the *Benefits Proportional by Fund Report* submission information for all state entities maintained by the State Auditor's Office to the submission information maintained by the Comptroller for appropriation years 2012 and 2013.

Criteria used included the following:

- Comptroller APS 011 for fiscal year 2012.
- Section 6.08, pages IX-28 and IX-29, the General Appropriations Act (82nd Legislature).
- Audited agencies' appropriation information and riders in the General Appropriations Act (82nd Legislature).
- U.S. States Office of Management and Budget Circulars A-87 and A-21.

Project Information

Audit fieldwork was conducted in September 2013 and October 2013. We conducted this performance 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.

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

- Ann E. Karnes, CPA (Project Manager)
- George D. Eure, CPA (Assistant Project Manager)
- Isaac A. Barajas
- Michael Gieringer, MS, CFE
- Melissa Jones, CGAP
- Kristyn Scoggins, CGAP
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Nicole M. Guerrero, MBA, CIA, CGAP, CICA (Audit Manager)

Agencies That Did Not Submit Their Benefits Proportional by Fund Reports or Single Source Letter

The requirements to pay benefits proportionately to funding sources were set forth in Article IX, Section 6.08, of the General Appropriations Act (82nd Legislature) and in the Office of the Comptroller of Public Accounts' (Comptroller) Accounting Policy Statement 011. Table 1 lists the 5 state agencies that had not submitted a *Benefits Proportional by Fund Report* or single source letter for appropriation year 2012 as of February 19, 2014. Auditors obtained this information from the Comptroller and did not audit the accuracy of this information⁸.

Table 1

State Entities That Had Not Submitted a <i>Benefits Proportional by Fund Report</i> or Single Source Letter for Appropriation Year 2012 as of February 2014	
Agency Number	Agency Name
215	Office of Capital Writs
325	Office of the Fire Fighters' Pension Commissioner
476	Racing Commission
512	Board of Podiatric Medical Examiners
542	Cancer Prevention and Research Institute of Texas

Source: Unaudited data from the Comptroller.

Table 2 lists the 4 state agencies that had not submitted a *Benefits Proportional by Fund Report* or single source letter for appropriation year 2013 as of February 19, 2014. Auditors obtained this information from the Comptroller and did not audit the accuracy of this information.

Table 2

State Entities That Had Not Submitted a <i>Benefits Proportional by Fund Report</i> or Single Source Letter for Appropriation Year 2013 as of February 2014	
Agency Number	Agency Name
325	Office of the Fire Fighters' Pension Commissioner ^a
338	Pension Review Board
409	Commission on Jail Standards
533	Executive Council of Physical and Occupational Therapy Examiners

^a The Office of the Fire Fighters' Pension Commissioner was abolished on August 31, 2013, and pension funds were transferred to a new entity, the Texas Emergency Services Retirement System.

Source: Unaudited data from the Comptroller.

⁸ Although auditors did not audit the information provided by the Comptroller, auditors compared the *Benefits Proportional by Fund Report* submission information for all state entities maintained by the Comptroller to the submission information maintained by the State Auditor's Office for appropriation years 2012 and 2013.

Benefits Proportional by Fund Report *Template for State Agencies*

Figure 1 shows Section 1 of the report template for the *Benefits Proportional by Fund Report* that state agencies were required to submit to the Office of the Comptroller of Public Accounts (Comptroller) for appropriation year 2012.

Figure 1

Section 1 of the Benefits Proportional by Fund Report Template for State Agencies				
BENEFITS PROPORTIONAL BY FUND REPORT (State Agencies)				
For Appropriation Year 20 _____ as of Fiscal Year 20 _____				
Agency Name _____		Agency Number _____		
SECTION I - FUNDING PROPORTIONALITY CALCULATION				
COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5
GENERAL REVENUE FINANCING SOURCES	FINANCING SOURCES AMOUNT²	EXCLUDE FUNDS WITH SALARY RESTRICTIONS³	FUNDING SUBJECT TO PROPORTIONALITY REQUIREMENT	REQUIRED PROPORTION
General Revenue ¹ (Aspd Fund 0001)				
Appropriated Receipts (Aspd Fund 0001)				
Interagency Receipts (Aspd Fund 0001)				
Other Sources (Aspd Fund 0001)				
GR Riders (Aspd Fund 0001)				
GR Total and Percentage of Grand Total			0.00	
COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5
GENERAL REVENUE-DEDICATED FINANCING SOURCES	FINANCING SOURCES AMOUNT²	EXCLUDE FUNDS WITH SALARY RESTRICTIONS³	FUNDING SUBJECT TO PROPORTIONALITY REQUIREMENT	REQUIRED PROPORTION
GR-Dedicated (Aspd Fund #)				
Appropriated Receipts (Aspd Fund #)				
Interagency Receipts (Aspd Fund #)				
GR-D Riders (Aspd Fund #)				
GR - Dedicated Total and Percentage of Grand Total			0.00	

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Benefits Proportional by Fund - Section I (Agencies)

COLUMN 1 FEDERAL FUNDS FINANCING SOURCES	COLUMN 2 FINANCING SOURCES AMOUNT ²	COLUMN 3 EXCLUDE FUNDS WITH SALARY RESTRICTIONS ³	COLUMN 4 FUNDING SUBJECT TO PROPORTIONALITY REQUIREMENT	COLUMN 5 REQUIRED PROPORTION
Federal (Appd Fund #)				
FF Riders (Appd Fund #)			0.00	
Federal Funds Total and Percentage of Grand Total				
			0.00	
COLUMN 1 OTHER FUNDS FINANCING SOURCES	COLUMN 2 FINANCING SOURCES AMOUNT ²	COLUMN 3 EXCLUDE FUNDS WITH SALARY RESTRICTIONS ³	COLUMN 4 FUNDING SUBJECT TO PROPORTIONALITY REQUIREMENT	COLUMN 5 REQUIRED PROPORTION
Other (Appd Fund #)				
Appropriated Receipts (Appd Fund #)				
Interagency Receipts (Appd Fund #)				
Other Receipts (Appd Fund #)				
OF Riders (Appd Fund #)				
Other Funds Total and Percentage of Grand Total				
			0.00	
Grand Total				0.00

Legal Cites and Documentation: _____

1 The amount listed as GR in the MCF of the GAA.
 2 If the sources of funding are estimated, enter the actual revenues.
 3 Provide statutory or other cite for included funds.

Figure 2 shows Section 2 of the report template for the *Benefits Proportional by Fund Report* that state agencies were required to submit to the Comptroller for appropriation year 2012.

Figure 2

SECTION II - BENEFITS WORKSHEET (State Agencies)					
IIa - Social Security, State Employee Match					
COLUMN 1 APPROPRIATED FUNDS	COLUMN 2 ACTUAL BENEFITS PAID	COLUMN 3 BENEFITS EXCLUDED	COLUMN 4 BENEFITS SUBJECT TO PROPORTIONALITY	COLUMN 5 CALCULATED PROPORTIONAL BENEFITS	COLUMN 6 REQUIRED ADJUSTMENT*
General Revenue (Appd Fund # 0001)	0.00		0.00		
GR-Dedicated (Appd Fund #)	0.00		0.00		
Federal Funds* (Appd Fund #)	0.00		0.00		
Other Funds (Appd Fund #)	0.00		0.00		
Totals			0.00		
Adjustment made with Current Doc Number					
IIb - Group Insurance					
COLUMN 1 APPROPRIATED FUNDS	COLUMN 2 ACTUAL BENEFITS PAID*	COLUMN 3 BENEFITS EXCLUDED	COLUMN 4 BENEFITS SUBJECT TO PROPORTIONALITY	COLUMN 5 CALCULATED PROPORTIONAL BENEFITS	COLUMN 6 REQUIRED ADJUSTMENT*
General Revenue (Appd Fund # 0001)	0.00		0.00		
GR-Dedicated (Appd Fund #)	0.00		0.00		
Federal Funds* (Appd Fund #)	0.00		0.00		
Other Funds (Appd Fund #)	0.00		0.00		
Totals			0.00		
Adjustment made with Current Doc Number					
* Retiree Group Insurance Costs included above:					
General Revenue					
GR-Dedicated					
Federal					
Other					
Total Retiree Group Insurance Costs					\$

IIc - Retirement Contributions (ERS)

COLUMN 1 APPROPRIATED FUNDS	COLUMN 2 ACTUAL BENEFITS PAID	COLUMN 3 BENEFITS EXCLUDED	COLUMN 4 BENEFITS SUBJECT TO PROPORTIONALITY	COLUMN 5 CALCULATED PROPORTIONAL BENEFITS	COLUMN 5 REQUIRED ADJUSTMENT ⁴
General Revenue (Appd Fund # 0001)	0.00		0.00		
GR-Dedicated (Appd Fund #)	0.00		0.00		
Federal Funds ⁵ (Appd Fund #)	0.00		0.00		
Other Funds (Appd Fund #)	0.00		0.00		
Totals			0.00		

Adjustment made with Current Doc Number

IIId - Benefit Replacement Pay (BRP)

COLUMN 1 APPROPRIATED FUNDS	COLUMN 2 ACTUAL BENEFITS PAID	COLUMN 3 BENEFITS EXCLUDED	COLUMN 4 BENEFITS SUBJECT TO PROPORTIONALITY	COLUMN 5 CALCULATED PROPORTIONAL BENEFITS	COLUMN 5 REQUIRED ADJUSTMENT ⁴
General Revenue (Appd Fund # 0001)	0.00		0.00		
GR-Dedicated (Appd Fund #)	0.00		0.00		
Federal Funds ⁵ (Appd Fund #)	0.00		0.00		
Other Funds (Appd Fund #)	0.00		0.00		
Totals			0.00		

Adjustment made with Current Doc Number

⁴ Amounts may differ due to rounding.

⁵ Federal Funds must pay benefits on salaries paid from federal funds. See Sources of Revenue Required to Pay Benefit Cost (AFS001).

I certify that this report demonstrates compliance with HB 1, Article IX, Section 6.08, 82nd Legislature, Regular Session, and has been completed in accordance with the guidance provided in the Fiscal Policy and Procedure (FPP) Benefits Proportional by Fund (AFS011).

Signature _____ Date _____

Chief Financial Officer or Designee _____

Related State Auditor's Office Work

Related State Auditor's Office Work		
Number	Product Name	Release Date
14-555	State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2013	February 2014
13-322	State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2012	February 2013
11-005	An Audit Report on Compliance with Benefits Proportional by Fund Requirements at Selected State Entities	September 2010

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Office of the Governor

The Honorable Rick Perry, Governor

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Cancer Prevention and Research Institute of Texas

Commission on Jail Standards

Department of Assistive and Rehabilitative Services

Department of Family and Protective Services

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