



An Audit Report on

Selected State Entities' Compliance with Benefits Proportional Requirements

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Tarleton State University (Tarleton) and the University of Houston (Houston) each completed an appropriation year 2024 *Benefits Proportional by Method of Finance Report* in accordance with the Office of the Comptroller of Public Accounts' requirements.

- [Audit Objective](#) | p. 5

This audit was conducted in accordance with Rider 8, subsection (b), page III-58, and Section 6.08(h), page IX-32, of the General Appropriations Act (89th Legislature).

LOW

TARLETON STATE UNIVERSITY

Tarleton State University complied with benefits proportionality reporting requirements.

[Chapter 1 | p. 3](#)

LOW

UNIVERSITY OF HOUSTON

The University of Houston complied with benefits proportionality reporting requirements.

[Chapter 2 | p. 4](#)

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: Issues identified present risks or effects that if not addressed could ***critically affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could ***substantially affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could ***moderately affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks ***or*** effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.



LOW

Chapter 1 Tarleton State University

Tarleton State University (Tarleton) reported all the eligible funding amounts on its *Benefits Proportional by Method of Finance Report (Report)* (see text box) for appropriation year 2024 in accordance with the Office of the Comptroller of Public Accounts' (Comptroller's Office) accounting policy statement 011 (APS 011).

Tarleton's Report complied with requirements.

For 2024, Tarleton correctly reported \$52.5 million in general revenue, and \$14.2 million in dedicated general revenue funds.

For each applicable method of finance listed in its appropriation year 2024 *Report*, Tarleton appropriately calculated the required proportionality percentages. Additionally, it correctly reported the benefit amounts paid, including Social Security, group insurance, Teacher Retirement System benefits, and the optional retirement program, and it applied the required percentages to calculate the proportional amount of benefits paid.

Report Purpose

The *Benefits Proportional by Method of Finance Report* calculates the percentage of total funding for each method of finance an entity uses to pay out certain benefits and then applies those percentages to determine the amount of benefits that should be paid by each method of finance.

Entities must submit their completed reports by November 19 of each year to the Comptroller's Office and the State Auditor's Office.

Source: [Comptroller's Office](#).

LOW

Chapter 2

University of Houston

The University of Houston (Houston) reported all the eligible funding amounts on its *Report* for appropriation year 2024 in accordance with APS 011.

Houston's Report complied with requirements.

For 2024, Houston correctly reported \$205.2 million in general revenue, and \$70.3 million in dedicated general revenue funds.

For each applicable method of finance listed in its appropriation year 2024 *Report*, Houston appropriately calculated the required proportionality percentages. Additionally, it correctly reported the benefit amounts paid, including Social Security, group insurance, Teacher Retirement System benefits, and the optional retirement program, and it applied the required percentages to calculate the proportional amount of benefits paid.



Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether selected state entities complied with benefits proportional provisions in accordance with the Office of the Comptroller of Public Accounts' (Comptroller's Office) rules, policies, and procedures.

Scope

The scope of this audit covered the Comptroller's Office *Benefits Proportional by Method of Finance Report (Report)* submitted by Tarleton State University (Tarleton) and by the University of Houston (Houston) for appropriation year 2024. The scope also included a review of significant internal controls related to each university's *Report*.

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



- Alex Kipple, CFE (Project Manager)
- Anna Howe, CIA, CFE (Assistant Project Manager)
- Spencer Cosson
- Jason Morehouse
- Brandon Glenn Pascall, CFE
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Jeannette Quiñonez Garcia, CPA (Audit Manager)

Methodology

We conducted this performance audit from August 2025 through November 2025 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.

Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed management and staff to gain an understanding of the processes for preparing and submitting the *Report*.
- Identified and reviewed the relevant criteria:
 - The Comptroller’s Office accounting policy statement 011 – *Benefits Proportional by Method of Finance Report* instructions.
 - General Appropriations Act (88th and 89th Legislatures).
 - Texas Education Code, Section 51.009.
- Tested adjusting entries as identified in each university’s *Report* to determine whether the university correctly made the required adjustments in the Uniform Statewide Accounting System (USAS).
- Tested the completeness and accuracy of each university’s *Report* by verifying that all financing sources were reported; amounts were supported by the universities’ internal accounting systems, USAS data, and supporting documentation; applicable funds were appropriately excluded; legal citations were noted; and mathematical calculations were correct.
- Tested Tarleton’s review process to determine whether the *Report* was complete and accurate.
- Tested Houston’s reconciliation process to determine whether the *Report* was complete and accurate.

Data Reliability and Completeness

Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit:

- Data extracts from the universities' internal accounting systems. Auditors discussed with the universities' management the processes used for generating or obtaining these reports and/or traced the reports to other supporting documents.
- USAS expenditure and revenue data, which was used to corroborate financial information in each university's *Report*. Auditors independently extracted revenue and expenditure data from USAS, verified the report parameters, performed analysis on the data output, and compared the data to additional supporting documents that the universities provided.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Appendix 2

Related State Auditor’s Office Reports

Figure 1

Report Number	Report Name	Release Date
25-024	<i>An Audit Report on Selected State Entities' Compliance with Benefits Proportional Requirements</i>	May 2025
22-029	<i>An Audit Report on Selected State Entities' Compliance with Benefits Proportional Requirements</i>	May 2022
22-005	<i>An Audit Report on Selected State Entities' Compliance with Benefits Proportional Requirements</i>	October 2021
20-039	<i>An Audit Report on Selected State Entities' Compliance with Benefits Proportional Requirements</i>	August 2020



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The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Tarleton State University and the University of Houston

Members of the Texas A&M University System Board of Regents

Dr. James Hurley, President, Tarleton University

Members of the University of Houston System Board of Regents

Dr. Renu Khator, President, University of Houston



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