

Fiscal Management Division
Expenditure Audit Section
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Post Payment Audit of West Texas A&M University



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EXECUTIVE SUMMARY

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A sample of the University's payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning March 1, 2012, through Feb. 28, 2013, was audited to determine compliance with applicable state laws.

The audited agency receives appendices with its full report that include a list of the identified errors and an errors projection to estimate the amount of improperly paid transactions. Copies of the appendices may be obtained through a [Public Information Act](#) written request.

We believe the audit provides a reasonable basis for the findings set forth in this report. The University should implement the recommendations listed in the Detailed Findings of this report. It is the University's responsibility to seek refunds for all overpayments, unless it determines it is not cost effective to do so. If necessary, the Texas Comptroller of Public Accounts (Comptroller's office) may take the actions set forth in Texas Government Code Annotated, Section 403.071(h) (Vernon 2013), to ensure that the University's documents comply in the future. The University must ensure that the findings discussed in this report are resolved.

Texas law requires the Comptroller's office to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

Payroll transactions and payroll deductions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

The audit identified:

- Incorrect months of state service credit

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#) and other pertinent statutes.

The audit identified:

- Purchase order and/or agreement created after invoice.

Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes. Our review identified minimal audit findings which were discussed during our exit conference meeting.

Grant/Rebates/Retirement transactions

A limited review of the University's transactions relating to grants, rebates and retirement reimbursement payments was conducted as a part of our purchase sample. This review consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the University's procedures for awarding the grants or monitoring payments made to the payees; therefore, no opinion is being offered on those procedures.

- No issues were identified.

Security

The audit included a security review that entailed identifying any of the University's employees with security in USAS, the Texas Identification Number System (TINS) or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

The review identified:

- One employee who retained the ability to expend funds after termination.

Internal control structure

The University's internal control structure was reviewed. The review was limited to obtaining an understanding of the University's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Two employees who can process and release payments through USAS and can process and release payrolls.
- One of these same employees had the ability to adjust payment instructions in TINS and also approve paper vouchers.
- Three employees' whose Confidential Treatment of Information Acknowledgement (CTIA) form was not signed in a timely manner.

Fixed assets

The audit included a limited number of fixed assets acquired by the University during the audit period. Their physical existence and use for state business was verified.

- All assets tested were in their intended location.

Prior post-payment audit and current audit recurring errors

A prior post payment audit of the University's payroll, purchase and travel transactions was concluded on June 25, 2009.

During the current audit, the following recurring errors were identified:

- Incorrect service date
- Purchase order created after invoice
- Control weakness over expenditure processing

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DETAILED FINDINGS — PAYROLL

Incorrect Months of State Service Credit

Finding

In our audit of payroll transactions, we identified one employee with incorrect months of state service credit in the University's internal payroll/personnel system. The employee was paid correctly.

The employee was given credit for a full month of service for a partial month worked that led to a miscalculation in months of service credit.

The proper calculation of the state effective service date is derived by subtracting the correct total days of lifetime service credit from the most recent employment date. That date is used to determine when the longevity pay is to be increased. Since the effective date is an element of the formula, if it is wrong, the final calculation will be erroneous. See [Non-Salary Payments](#) in Texas Payroll/Personnel Resource on FMX.

The Comptroller's office position since the longevity pay statutes were first enacted in 1979 is that an individual who is a state employee for only part of a calendar month receives lifetime service credit only for the days the individual was a state employee, not for the entire month. See, generally, Government Code, Sections 659.043(a)(3), 659.044(c) (Vernon 2012).

We provided the University with the schedules during fieldwork. The documents are not included with this report because of confidentiality.

The University corrected the employees' months of service in their internal system during fieldwork to ensure future longevity pay increases occur at the correct times.

Recommendation/Requirement

The University must correct its internal payroll system to ensure correct calculation of months of service. The University should verify months of service data for its employees and enhance its internal controls to prevent incorrect payments of longevity pay.

University Response

Effective in fiscal 2013, our procedures were updated to ensure the correct calculations of months of service. Only one finding was incorrect for a transaction in fiscal 2012.

DETAILED FINDINGS — PURCHASE

Purchase Order Created After Invoice

Finding

We identified three transactions within our audit sample where the documentation provided verified that the purchase order was not created until after the vendor invoiced the University for the goods. Within the documentation we reviewed, there was a stamped message that read; “Irregular Purchasing Procedures – Order processed without purchase order.” In preparation for this audit, the University completed an internal review of these documents and realized that the documents processed incorrectly according to University procedures. The University’s procedures require that staff create a purchase order and/or purchase agreement prior to obtaining goods and services, but this procedure was not followed in these instances. The initial processing of these vouchers was an oversight by the University.

Without issuing the purchase order and documenting it with the vendor prior to ordering the goods, it becomes difficult for the University to ensure that it is not overcharged or billed for goods or services beyond those the University had agreed to purchase.

It is the general responsibility of a state agency and its officers and employees to “ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.” See 34 Texas Administrative Code, Section 5.51(c)(1)(D) (2013).

Recommendation/Requirement

The University must ensure its procedures are followed. While a formal purchase order is not required, the University must ensure that documentation of the purchase agreement is prepared at the time the University orders the goods or services.

University Response

*Our Departmental Fiscal Procedure Handbook includes detail procedures for procurement. **Procedure 3.1.1 Authority to Obligate Fund** states that all purchases are to be requisitioned through the purchasing office prior to actually making the purchase. When the procedures are not followed, we (1) identify the purchases with an irregular stamp and (2) notify the department by sending the requisitions back to the department requiring the department to provide in writing why they violated the State purchasing practices. We will continue training efforts with our procurement personnel for all departments.*

DETAILED FINDINGS — EXPENDITURE APPROVALS

Employee Retaining Ability To Expend Funds After Termination

Finding

During the audit period, the University failed to notify the Comptroller's office about the termination of an employee in a timely manner.

The employee had been designated by the University to approve its expenditures. The employee remained listed on the University's voucher signature cards for 846 days after termination. As part of our semi-annual verification of security to the statewide system, we verify employee's employment status in Human Resource Information System (HRIS). Because the University failed to report the termination in a timely manner, the employee's security was not systematically removed. This means that the former employee could have approved vouchers that were submitted to the Comptroller's office on paper during that time. Any payment produced by a paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. According to the University, the employee remained on the signature card due to oversight. Though the University submitted proper notification to the Comptroller's office during audit fieldwork, this issue had already been identified as an audit finding.

The Comptroller's formal rule pertaining to designating individuals to approve agency expenditures and revoking those designations was in effect during the audit period. Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. See 34 Texas Administrative Code, Section 5.61 (2013). Any officer or employee may send the Comptroller's office that notification. See Section 5.61(k)(3)(B). Additionally, Section 5.61 does not specify how the Comptroller's office is to be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings so long as the writings indicate that a designated employee has terminated employment and the notification specifies the effective date of the employee's termination.

Recommendation/Requirement

The University must ensure compliance with the preceding requirements.

The University must also ensure that the person responsible for sending these notifications to the Comptroller's office is aware of the designated employee's termination on or before the termination becomes effective and follow through with the Comptroller's office to ensure the receipt of the notification and that the revocation occurred.

The University must also ensure that all payroll and personnel transactions are reported to HRIS in a timely manner:

- Personnel transactions are timely when they are successfully reported to HRIS on or before the seventh day of the month following their effective date.
- Payroll transactions are timely when they are reported and posted by the seventh day of the month following their payment date.

University Response

The security officer procedures have been updated to make sure any terminated employee with access to USAS is removed promptly when terminated and during the semiannual verification of users.

The University must also ensure that all payroll and personnel transactions are reported to HRIS in a timely manner:

- Personnel transactions are timely when they are successfully reported to HRIS on or before the seventh day of the month following their effective date.*
- Payroll transactions are timely when they are reported and posted by the seventh day of the month following their payment date.*

Procedures are in place by the A&M System payroll team (BBP) to ensure payroll and personnel transactions are reported to HRIS in a timely manner.

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the University placed on its accounting staff members' abilities to process expenditures. We reviewed the University's security in USAS, TINS and voucher signature cards that was in effect on May 17, 2013. We did not review or test any internal or compensating controls that the University may have relating to USAS or TINS security or internal transaction approvals.

We identified two employees with multiple security capabilities. Both employees had the security to process and release payments through USAS and process and release payrolls without electronic oversight. One of the two employees could also adjust payment instructions in TINS and approve paper vouchers. The University received a schedule of this finding during fieldwork.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregates each accounting task to the greatest extent practical. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the statewide financial systems without another person's involvement.

We ran a report to determine whether any of the University's payment documents processed through USAS during the audit period because of the action of only one person. There were 15 USAS documents that were either entered and approved, or altered and approved, by the same person without another person's electronic oversight. These documents resulted in payments totaling \$8,011,629.34. We provided the University with a copy of this report during fieldwork.

As a routine part of our security review, we reviewed the University's compliance with the requirement that all agency users of the Comptroller's statewide financial systems (financial systems) complete a CTIA form. When a new user needs access to the Comptroller's financial systems, the first step that the agency's security coordinator takes is to have the person read and sign the CTIA form. A reviewing official also signs the agreement which the agency's security coordinator keeps on file for as long as the user has access to the systems, plus five years. In our review, we identified three CTIA forms signed after the individuals had accessed the Comptroller's financial systems.

Recommendation/Requirement

The University should review the controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight.

The Fiscal Policies and Procedure (FPP) [USAS Accounting and Payment Control \(B.005\)](#) discusses the following tools that are available in USAS for agencies to use to strengthen internal controls and reduce risks to state funds:

- The University may request that a preventative control be enforced for all of their transactions in USAS. If an agency requests the control, an edit will prevent the release of a document that the same user entered or altered, or warn when this is about to occur.
- The University may request to receive the Risky Documents Report (DAFR9840) to identify documents that the same user entered or altered and then released for processing. This report enables agency management or internal and external auditors to easily identify and review these documents.

The University should enhance its procedures to ensure that no user gains access to the statewide accounting systems without a timely and properly completed CTIA form.

University Response

We have reviewed our separation of duties to make sure that no individual is able to process payments without oversight. However, because we have a small number of employees who have access we are limited in how we can make assignments and process payments. Due to our limited number of staff, we have implemented mitigating procedures requiring signature approval for transactions and we have implemented the use of the Risky Documents Report (DAFR9840) to identify these transactions. Procedures are in place for all new employees using USAS to complete the CTIA form before their security is set up.