

Fiscal Management Division
Expenditure Audit Section
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Post-Payment Audit of Texas A&M University – Corpus Christi



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Table of Contents

Executive Summary

Audit scope	i
Payroll transactions and deductions	i
Purchase transactions	i
Travel transactions	ii
Prompt payment and payment scheduling	ii
Fixed assets	ii
Prior post-payment audit and current audit recurring errors	ii

Detailed Findings — Payroll

Payment of Longevity Pay to an Ineligible Employee	1
Lump Sum Distribution and Accruals Not Payable	2
Incorrect Months of Service/Incorrect Amount of Longevity Pay	3

Detailed Findings — Travel

Lack of Policy/Procedure on Conservation of State Funds	4
Missing Statutory Authority for Reimbursement	5
Expense Not Payable	6

Detailed Findings — Prompt Payment

Prompt Payment and Payment Scheduling Issues	7
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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas A&M University — Corpus Christi (TAMUCC) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning June 1, 2012, through May 31, 2013, was audited to determine compliance with applicable state laws.

The audited agency or institution of higher education receives appendices with the full report that may 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 requested through a [Public Information Act](#) inquiry.

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.

The audit provides a reasonable basis for the findings set forth in this report. TAMUCC should implement the recommendations listed in the Detailed Findings of this report. It is TAMUCC'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 TAMUCC's documents comply in the future. TAMUCC must ensure that the findings discussed in this report are resolved.

Payroll transactions and deductions

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

The audit identified:

- Payment of longevity pay to an ineligible employee.
- Lump sum distribution and accruals not payable.
- Incorrect months of service/incorrect amount of longevity pay.

A limited sample of voluntary deductions was also audited.

- No issues were identified.

Purchase transactions

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

- No issues were identified.

Travel transactions

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

The audit identified:

- Lack of policy/procedures on conservation of state funds.
- Missing statutory authority for purchase.
- Expense not payable.

Prompt payment and payment scheduling

Transactions were audited for compliance with the prompt payment law and scheduling rules.

The audit identified:

- Late payment that did not pay interest to vendors.
- Payments that were not properly scheduled.

Fixed assets

The audit included a limited number of fixed assets acquired by expenditures during our audit period to verify existence of the assets.

- All assets tested were in their intended location.

Prior post-payment audit and current audit recurring errors

A prior post-payment audit of TAMUCC's payroll, purchase and travel transactions was concluded on Jan. 22, 2010.

During the current audit, there was one recurring error:

- Incorrect state effective service dates resulting in incorrect longevity pay amount.

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DETAILED FINDINGS — PAYROLL

Payment of Longevity Pay to an Ineligible Employee

Finding

We identified one employee who was ineligible to receive longevity payments.

For a return-to-work retiree, TAMUCC made an oversight and did not take into consideration the documents showing that employee had previously retired. As a result of the oversight, TAMUCC continued to pay longevity pay as if the employee never retired.

A state employee who retired from state employment on or after June 1, 2005, and who receives an annuity based wholly or partly on service as a state officer or state employee in a public retirement system as defined by Texas Government Code Annotated, Section 802.001 (Vernon Supp. 2013), that was credited to the state employee, is ineligible for longevity pay upon reemployment with the state. See Texas Government Code Annotated, Section 659.042(7) (Vernon 2012).

The total overpayment amount of longevity pay during the employee's employment with TAMUCC was \$17,240.00.

We provided TAMUCC with the schedule and calculations of the incorrect longevity payments during fieldwork. They are not included in this report because they contain confidential information.

Recommendation/Requirement

TAMUCC should consider recovering the overpayments of longevity pay from the employee in accordance with Chapter 666, Texas Government Code.

TAMUCC must implement controls to ensure retired employees who are hired with TAMUCC do not receive payments of longevity pay.

TAMUCC Response

TAMUCC agrees with these recommendations. TAMUCC will implement controls over these processes and improve procedures in Payroll.

Lump Sum Distribution and Accruals Not Payable

Finding

We identified one employee who was not eligible to receive a lump sum distribution.

For the return-to-work retiree, TAMUCC made an oversight and did not take into consideration the documents showing the employee had previously retired. As a result, the employee's vacation time continued to accrue as if the employee never retired. The employee left TAMUCC and was paid a lump sum distribution for the accrued vacation time accumulated at TAMUCC. Due to incorrect vacation time accrual, the employee was overpaid by \$4,597.72.

For purposes of computing vacation leave for a state employee who retired from state employment on or after June 1, 2005, and who receives an annuity based wholly or partly on service as a state officer or state employee in a public retirement system, as defined by Section 802.001, that was credited to the state employee, years of total state employment include only the length of state employment after the date the state employee retired. See Texas Government Code Annotated, Section 661.152(1) (Vernon 2012).

In addition, the employee used 152 hours of vacation accruals that would not have been earned if the correct accrual rates had been used. The amount paid in ineligible salary based on unearned vacation accruals was \$1,666.15.

We provided TAMUCC with the schedule and calculations of the incorrect payments during fieldwork. They are not included in this report because they contain confidential information.

Recommendation/Requirement

TAMUCC should consider recovering the overpayments of the lump sum distribution and unearned salary amounts from the employee in accordance with Chapter 666, Texas Government Code.

TAMUCC must implement controls to ensure retired employees hired with TAMUCC receive the correct accruals of vacation time and ensure the vacation accrual lump sum payment amounts are accurate.

TAMUCC Response

TAMUCC agrees with these recommendations. TAMUCC will implement controls over these processes and improve procedures in Payroll.

Incorrect Months of Service/Incorrect Amount of Longevity Pay

Finding

In our audit of payroll transactions, we identified three employees with incorrect months of service credit in TAMUCC's internal payroll/personnel system. Two employees were underpaid a total amount of \$780.00 and one employee was overpaid \$1,620.00.

TAMUCC's payroll/human resources office incorrectly calculated the total months of state service credit for the three employees. As a result, the adjusted state effective service date within TAMUCC's internal payroll/personnel system was incorrect. TAMUCC did not provide an explanation for the incorrect number of months of service.

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. See [Texas Payroll/Personnel Resource – Longevity Pay](#).

We provided TAMUCC with the schedules and calculations of the incorrect payment amounts during fieldwork. They are not included in this report because they contain confidential information.

TAMUCC 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

TAMUCC should verify months of service data for its employees and enhance its internal controls to prevent incorrect payments of longevity pay.

TAMUCC should consider recovering the overpayments of longevity pay from the employee in accordance with Chapter 666, Texas Government Code.

TAMUCC must also compensate the employees who were underpaid longevity pay through a supplemental payroll. See 34 Texas Government Code, Section 5.40(c) (2013).

TAMUCC Response

TAMUCC agrees with these recommendations. TAMUCC will implement controls over these processes and improve procedures in Payroll.

DETAILED FINDINGS — TRAVEL

Lack of Policy/Procedure on Conservation of State Funds

Finding

TAMUCC does not have policies and procedures in place that require employees to prepare a cost comparison between using a rental car versus personal vehicle prior to travel. We identified five instances where TAMUCC reimbursed travelers for mileage while operating personally owned vehicles to conduct official business. However, based on the applicable car rental rates, related tax, cost of gas and the standard mileage rates in effect at the time of travel, we determined that it was more cost effective for the state if the travelers used rental vehicles instead of personally owned vehicles. TAMUCC stated that it would implement the necessary procedures to address this issue.

We also identified one transaction where the traveler did not use the available state contracted vendor to rent a vehicle. This resulted in an overpayment of rental fees. TAMUCC could not provide an explanation as to why the traveler did not use a state contracted vendor.

According to Texas Government Code Annotated, Section 660.007(a) (Vernon 2012), a state agency shall minimize the amount of travel expenses paid or reimbursed by the agency. The agency shall ensure that each travel arrangement is the most cost effective considering all relevant circumstances.

Recommendation/Requirement

TAMUCC must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. TAMUCC should implement a cost analysis policy to ensure it uses the most cost efficient method of travel.

TAMUCC Response

TAMUCC agrees with these recommendations. TAMUCC will implement controls over these processes and improve procedures in Travel.

Missing Statutory Authority for Reimbursement

Finding

We identified two travel transactions where TAMUCC expended funds without specific statutory authority. TAMUCC paid for hotel rooms for non-employees and reimbursed an employee for costs incurred to rent a fifteen-passenger van to transport students to a student symposium. TAMUCC could not provide specific statutory authority to pay the travel expenses for non-employees and students and stated that the reimbursement of these expenses from state funds was an oversight.

A state agency must have specific or implied statutory authority to make a purchase for a good or service. Specific statutory authority is clearly specified in statute. Implied statutory authority must be determined by the purchasing agency and the agency must demonstrate the purchase is necessary to fulfill its specific statutory duties. See [eXpendit – Statutory Authority for Purchases](#).

Institutions of higher education cannot use state-appropriated funds to pay student travel expenses unless specific provisions exist in state law that allow it to do so.

Government Code, Chapter 660 (Travel Act), and the GAA both detail the use of appropriated money for state travel. Chapter 660 limits the use of state money for travel expenses that “clearly involves official state business” and to individuals that are “state employees.” See Texas Government Code Annotated, Sections 660.002 and 660.003 (Vernon 2012). Generally, and with limited exceptions, state appropriations used for travel expenses are limited to state employees. Payments from appropriated funds are subject to the provisions of Texas Government Code, Chapter 660.

Recommendation/Requirement

TAMUCC must research any future purchase or travel expenses to ensure that proper statutory authority exists before expending funds for travel. TAMUCC must reimburse state funds for the amount improperly paid unless it determines it is not cost effective to do so.

TAMUCC Response

TAMUCC agrees with these recommendations. TAMUCC will implement controls over these processes and improve procedures in Travel

Expense Not Payable

Finding

We identified one travel transaction where TAMUCC reimbursed an employee for the cost of additional personal insurance for a rental vehicle. The additional insurance was purchased because the traveler wanted to ensure that all passengers would be covered in the event of an accident. TAMUCC stated that this expense was originally processed and paid from local funds but the request for reimbursement from the state funds was made in error.

See [Transportation: Rental Vehicles](#) in Texttravel for information on reimbursable costs related to the rental of motor vehicles.

Recommendation/Requirement

TAMUCC should review all travel reimbursements for accuracy and completeness prior to payment. TAMUCC must recover the overpayment unless it determines it is not cost effective to do so.

TAMUCC Response

TAMUCC agrees with these recommendations. TAMUCC will implement controls over these processes and improve procedures in Travel.

DETAILED FINDINGS — PROMPT PAYMENT

Prompt Payment and Payment Scheduling Issues

Finding

Prompt payment

According to the prompt payment law, Texas Government Code Annotated, Section 2251.021 (a) (Vernon 2008), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract;
- The date the performance of the service under the contract is completed; or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See Texas Government Code Annotated, Section 2251.026 (Vernon 2008). During the audit period, TAMUCC paid vendors \$926.04 of prompt payment interest.

In our sample, we identified eight purchase and two travel transactions that were paid late but interest was not paid to the vendors. According to TAMUCC, these errors occurred due to oversight when processing the payments.

Payment scheduling

Texas Government Code Annotated, Section 2155.382(d) (Vernon 2008), authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller's office must require advance scheduling of payments when it is advantageous to the state.

We identified 10 purchase transactions where TAMUCC paid early, resulting in interest loss to the State Treasury. According to TAMUCC, most of these payments were for the construction contracts. TAMUCC stated it would focus on improving its contract approval process and payment scheduling process.

Recommendation/Requirement

TAMUCC must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, TAMUCC must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to the vendors.

To minimize the loss of earned interest to the State Treasury, TAMUCC must schedule all payments that are greater than \$5,000.00 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit](#).

TAMUCC Response

TAMUCC agrees with these recommendations. TAMUCC will implement controls over these processes and improve procedures in Prompt Payment.