

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



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EXECUTIVE SUMMARY

Audit scope

A sample of the Texas A&M University-Kingsville (TAMUK) payroll, purchase and travel transactions that processed through USAS during the period beginning March 1, 2012, through Feb. 28, 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 a projection to estimate the amount of improperly paid transactions. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

We believe the audit provides a reasonable basis for the findings set forth in this report. TAMUK should implement the recommendations listed in the Detailed Findings of this report. It is TAMUK'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, Section 403.071(h) (Vernon 2013) to ensure that TAMUK's documents comply in the future. TAMUK 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 deductions

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

The audit identified:

- Missing payroll documentation.

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 conservation of state funds.
- Gratuities not payable.
- Excessive reimbursement.

Security

The audit included a security review that entailed identifying any of TAMUK'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 remained listed on TAMUK's voucher signature cards after termination and kept security in USAS after authority expired.

Internal control structure

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

The review identified:

- Two employees who could adjust payment instructions in TINS, approve paper vouchers and pick up warrants from the Comptroller's office.

Fixed assets

The audit included a limited number of fixed assets acquired by expenditures during our 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 TAMUK's payroll, purchase and travel transactions was concluded on June 11, 2009.

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

- Missing payroll documentation.
- Excessive reimbursement.
- Employee retained ability to expend funds after termination and kept security in USAS after authority expired.
- Control weakness over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Missing Payroll Documentation

Finding

We identified one employee's personnel file that was missing a prior state service verification form. The employee indicated prior state employment for two agencies on her application form. One prior state service was verified and placed in the employee's file but was not entered in TAMUK's human resource system. In addition, the other state employment was not verified. As a result of the audit, the missing verification was obtained and both were added to the human resource system. Prior state service documentation is necessary to verify the employee's state service and to verify the accuracy of the longevity payments. The additional service resulted in an underpayment of longevity pay. The amount of longevity underpayment to the employee during the audit period was \$115.76. The total amount of longevity underpayment for that employee totaled \$5,740.00. TAMUK stated that this was an omission.

When an agency hires an employee, the agency must research if the employee has previous state employment. If prior state employment exists, the agency must confirm the amount of lifetime service credit and compute the correct amount of longevity pay entitlement. See [Non-Salary Payments – Longevity Pay](#) in Texas Payroll/Personnel Resource on FMX.

During our audit we also identified 11 files that were missing new hire and/or termination documentation. TAMUK's personnel procedures require a Personnel Action Form (PAF) to be completed for all personnel actions. As a result of the audit, TAMUK created the new hire and termination PAFs and placed them in each employee's personnel files. TAMUK did not follow its procedures in these instances.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require the documentation to be made available during a post-payment audit, a pre-payment audit or at any other time. See [General Provisions – Required Documentation](#) in Texas Payroll/Personnel Resource on FMX.

TAMUK received the payroll schedule during the audit. The schedule is not included with this report due to confidentiality issues.

Recommendation/Requirement

TAMUK should ensure that all prior state service is properly verified and documented for its employees. TAMUK must ensure that its internal operating procedures include quality control measures that will identify all prior state service indicated by a state employee. TAMUK should also continue to review its file to ensure its new hire and termination PAFs are properly documented and maintained in the personnel files.

TAMUK Response

We agree.

DETAILED FINDINGS — TRAVEL

Conservation of State Funds

Finding

We identified three instances where TAMUK used a travel agency that charged a processing fee of \$20.00 for each airfare purchased. Although TAMUK is not required to use the state's contracted travel agency, TAMUK could conserve state funds by doing so. The state contract travel agency assesses a processing fee of \$14.50 per airfare transaction.

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

TAMUK must exercise caution in its use of state funds and ensure that each travel arrangement is the most cost-effective considering all relevant circumstances.

TAMUK Response

We agree.

Gratuities Not Payable

Finding

We identified 10 travel transactions that reimbursed employees for meals that included gratuities. TAMUK indicated that the error was not identified during the review process due to oversight.

Texas Constitution, Article III, Section 51, prohibits the giving away of the state's money for private purposes. The payment of gratuities is clearly a violation of this section.

Recommendation/Requirement

TAMUK must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy prior to payment.

TAMUK must obtain a reimbursement from the traveling employee unless it determines it is not cost effective to do so.

TAMUK Response

We agree.

Excessive Reimbursement

Finding

In our review of the travel vouchers, we identified two reimbursements for a travel expense that was in excess of the allowable rate. TAMUK reimbursed two employees for lodging in excess of the amount allowed for the locality. TAMUK stated this was the result of oversight.

The reimbursement may not exceed the Comptroller's maximum reimbursement rate for the employee's duty point. See [Meals and Lodging](#) in eXpendit on FMX.

Recommendation/Requirement

We recommend that TAMUK continue to review all vouchers submitted into USAS for reimbursement to local funds to ensure that only expenditures that comply with state laws and rules are included in the entries. TAMUK should seek reimbursement for the excessive amount unless it determines it is not cost effective to do so.

TAMUK Response

We agree.

DETAILED FINDINGS — EXPENDITURE CONTROL

Employee Retained Ability and Security to Expend Funds After Termination/Authority Expired

Finding

During the audit period, TAMUK failed to notify the Comptroller's office about the termination of an employee who had been designated by TAMUK to approve its expenditures. The employee remained listed on TAMUK's voucher signature cards for 13 days after authority expired. 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. The same employee also kept release security in USAS for 18 days, allowing the employee to approve electronic vouchers during that time. According to TAMUK, the employee remained on the signature cards and retained USAS security due to oversight.

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.

For an employee whose authority to approve an agency's expenditures is revoked for any reason, the employee's USAS security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code, Section 5.61\(k\)\(5\)\(A\)-\(B\) \(2013\)](#).

Recommendation/Requirement

TAMUK must ensure compliance with the preceding requirements. TAMUK 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.

TAMUK Response

We agree.

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that TAMUK placed on its accounting staff members' abilities to process expenditures. We reviewed TAMUK's security in USAS, TINS and voucher signature cards that were in effect on April 14, 2013. We did not review or test any internal or compensating controls that TAMUK may have relating to USAS or TINS security or internal transaction approvals.

Two employees can pick up warrants from the Comptroller's office and approve paper vouchers. The same employees can adjust payment instructions in TINS and approve paper vouchers without oversight. TAMUK received a schedule of this finding during fieldwork.

According to TAMUK, its internal procedures and limited accounting staff members prevent it from adequately separating security access and controls.

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 process and approve payments or other accounting transactions without another person's involvement.

Recommendation/Requirement

TAMUK should periodically 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.

TAMUK Response

We agree.