

Fiscal Management Division
Expenditure Audit Section
Auditor: Valerie Davis

Audit Report # 788-14-01
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Post-Payment Audit of Lamar State College – Port Arthur



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Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

Audit scope	i
Payroll transactions	i
Purchase transactions	i
Fixed assets	ii
Internal control structure	ii
Direct deposit authorization forms	ii
Prior post-payment audit and current audit recurring errors	ii

Detailed Findings — Payroll

Missing Prior State Service Verification Form / Incorrect Longevity Pay Amount	1
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Detailed Findings — Expenditure Processing

Control Weakness Over Expenditure Processing	2
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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Lamar State College – Port Arthur (College) payroll and purchase transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning Sept. 1, 2012, through Aug. 31, 2013, to determine compliance with applicable state laws.

The College received appendices with its full report that included a list of identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The College should implement the recommendations listed in this report's Detailed Findings. 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 College's documents comply in the future. The College 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

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

The audit identified:

- One missing prior state service verification form resulting in an incorrect longevity pay amount.

Purchase transactions

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

- No issues were identified.

Fixed assets

The audit included a limited number of fixed assets acquired by expenditures during our audit period to test for accurate reporting in the State Property Accounting (SPA) System and to verify existence of the assets.

- All assets were in their intended location and properly recorded in SPA.

The disposed assets report listed one asset as missing. The net book value of the asset is \$156.45.

Internal control structure

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

The audit identified:

- One employee who can adjust payment instructions in TINS and approve vouchers.

Direct deposit authorization forms

A review was conducted of the College's procedures for complying with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

The audit identified:

- One direct deposit setup form that did not indicate whether funds would be forwarded to a financial institution outside of the United States.

Prior post-payment audit and current audit recurring errors

A prior post-payment audit of the College's payroll, purchase and travel transactions was concluded on June 18, 2010.

During the current audit, there were two recurring errors:

- Control weakness over expenditure processing
- Incorrect longevity pay

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DETAILED FINDINGS — PAYROLL

Missing Prior State Service Verification Form / Incorrect Longevity Pay Amount

Finding

We identified one employee with a missing prior state service verification form. In reviewing the employee's Human Resource file, we identified previous state employment on the employee's original job application. The College did not give the employee credit for this state service, which resulted in an underpayment of longevity pay of \$2,780. According to the College, this occurred due to oversight. As a result of the audit, the College has obtained the prior state service verification form.

When an agency hires an employee, the agency must research whether the employee has previous state employment. If there is prior state employment, the agency must:

- Confirm the amount of lifetime service credit and
- Compute the correct amount of longevity pay entitlement.

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

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 instruct that the documentation be made available during a post-payment audit, a pre-payment audit or at any other time.

See [Texas Payroll/Personnel Resource – Required Documentation](#).

The payroll schedule was provided to the College and is not included with this report due to confidentiality issues.

Recommendation/Requirement

The College must ensure that prior state service is properly verified and documented for its employees and should promptly correct the underpayment through a supplemental payroll. See 34 Texas Administrative Code, Section 5.40(c)(2013).

College Response

The College concurs that prior state service must be ensured through proper verification and documentation. The underpayment to the one affected employee was corrected through a supplemental payment to the employee of \$2,780.

DETAILED FINDINGS — EXPENDITURE PROCESSING

Control Weakness Over Expenditure Processing

Finding

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

During the audit period, the College had one employee who could adjust payment instructions in TINS and approve paper vouchers.

To reduce risks to state funds, the College should maintain controls over expenditure processing that segregate each accounting task to the greatest extent practical. Ideally, no individual should be able to process accounting transactions within the statewide financial systems without another person's involvement.

Recommendation/Requirement

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

College Response

The College concurs with continuing to review the controls over expenditure processing and segregating each task to the extent possible to ensure that no individual is able to adjust payments without oversight. Accordingly, for the one employee for whom this was brought to our attention, we have reassigned this duty.