

Fiscal Management Division  
Expenditure Audit Section  
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# Post-Payment Audit of Texas A&M University- Central Texas



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas A&M University-Central Texas (University) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning Dec. 1, 2012, through Nov. 30, 2013, to determine compliance with applicable state laws.

The University received appendices with its full report that included a list of the 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 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), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

The audit identified:

- Incorrect months of service/incorrect amount of longevity pay.
- Non-compliance with Human Resource Information System (HRIS) reporting requirements.

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.

- No issues were identified.

## Prompt payment and payment scheduling

We audited the University's compliance with the prompt payment law and scheduling rules. The University paid \$1,176.87 in interest during the audit period.

- No issues were identified.

## Travel transactions

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

- No issues were identified.

## Security

The audit included a security review to identify any of the University's employees with security in USAS 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 one employee who could:

- Process and release payrolls,
- Process and release payments in USAS and
- Pick up warrants from the Comptroller's office and approve paper vouchers.

## Fixed assets

The audit included a limited review of fixed assets acquired by expenditures during our audit period to test for proper tracking in the University's internal system and to verify the physical existence of the assets.

- All assets were in their intended location and properly tagged.

## Other auditor observation

We noted that the University currently does not have written rules and procedures for processing equity pay adjustments as required by the GAA, Article IX, Section 3.08(d). However, the University is currently reviewing and amending its written policies to include the information required by GAA, Article IX, Section 3.08(d).

## 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 30, 2011.

During the current audit, the following recurring error was identified:

- Control weakness over expenditure processing

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## DETAILED FINDINGS — PAYROLL

### **Incorrect Months of Service/Incorrect Amount of Longevity Pay/ Incorrect Vacation Accruals**

#### **Finding**

In our audit of payroll transactions, we identified five employees with incorrect months of service credit in the University's internal payroll/personnel system. The University employees began service as Tarleton State University (TSU) employees, then either transferred to the University full time or worked as dual employees for both Universities.

The University's payroll/human resource office incorrectly calculated the total months of state service credit for the employees. No explanation was given 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](#).

The employees were overpaid a total amount of \$66.00 in the sample. Outside the sample, the total amount of longevity pay overpaid to the employees was \$274.00. Since three of the employees were paid longevity by both TSU and the University, the breakdown of what each was overpaid is as follows:

- The University overpaid \$172.00 to five employees
- TSU overpaid \$168.00 to three employees.

Three of the employees were overpaid a total of 14 hours in vacation accruals.

We provided the University with the schedules and calculations of the incorrect payment amounts during fieldwork. Due to confidentiality issues, the documents are not included with this report.

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

#### **Recommendation/Requirement**

The University should consider recovering the overpayments of longevity pay in accordance with Texas Government Code, Chapter 666.

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

*There were two employees in the sample that were overpaid. The University has sent notification to one of the employees from the sample who was overpaid to attempt to recover \$60. The other employee has retired and the university has not been able to contact this person.*

*Since the audit occurred, the University has been using the suggested [timeanddate.com](http://timeanddate.com) website to assist in calculating the months of previous state employment.*

## Non-Compliance with HRIS Reporting Requirements

### Finding

The University is not in full compliance with the statutory reporting requirements for institutions of higher education. Personnel information is required to be reported to HRIS by Texas Government Code Annotated, Section 2101.0375. We identified one instance where the University failed to report a personnel termination in a timely manner.

The Comptroller's office collects and maintains payroll and personnel information on all state employees. The information is used to report statistics to various legislative and oversight bodies, media and the general public. Institutions of higher education must report personnel and payroll events to HRIS as outlined in 34 Texas Administration Code, Section 5.41(j)(1) (2013).

### Recommendation/Requirement

The University must 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 the effective date.
- Payroll transactions are timely when they are reported and posted by the seventh day of the month following the payment date.

### University Response

*Departments are now required to process a termination as soon as a letter of resignation or notice of termination is received. All hiring and terminations of full-time and part-time budgeted employees, adjunct faculty and graduate assistants are processed online through an automated system. Part-time non-budgeted and student workers are processed on paper forms. The Office of Employee Services follows up with departments regularly to ensure all terminations are processed in a timely manner.*

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## DETAILED FINDINGS — EXPENDITURE APPROVALS

### Employee Retained 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 who had been designated by the University to approve its expenditures. The employee kept release security in USAS for one day, allowing the employee to approve electronic vouchers during that time. According to the University, the employee retained USAS security due to an oversight.

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

The University must ensure compliance with the preceding requirements. It must also ensure that the person responsible for sending the termination notifications to the Comptroller's office:

- Is aware of the designated employee's termination on or before the date the termination becomes effective
- Follows through with the Comptroller's office to ensure receipt of the notification and
- Ensures that the revocation occurred.

#### University Response

*The University will begin the notification process with the Comptroller's office upon notification of termination with an effective date of the employee's last working day at the University. There have not been any terminations requiring the notification since the audit was performed.*

## Control Weakness Over Expenditure Processing

### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations the University placed on its accounting staff members' abilities to process expenditures. We reviewed the University's security in USAS, the Texas Identification Number System (TINS) and voucher signature cards that was in effect on Jan. 10, 2014. 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 one employee with multiple security capabilities. The employee had the security to:

- Process and release payments through USAS,
- Process and release payrolls without electronic oversight and
- Pick up warrants from the Comptroller's office and approve paper vouchers.

The University received a schedule of this finding during fieldwork.

The University stated that because of the size of its agency, it is necessary for at least two people to be able to process and release payments in case one person is out of the office. The University has implemented internal procedures to make sure that the individual who enters the transaction is different from the one who releases.

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 University payment documents processed through USAS during the audit period because of the action of only one person. We identified 19 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 \$915,080.20. We reviewed the documents with amounts over \$1,000.00 during the course of the audit and determined that they were valid expenditures. We provided the University with an electronic copy of this report during fieldwork.

### 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 University should request that a preventative control be enforced for all of its 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. See [USAS Accounting and Payment Control \(FPP B.005\)](#) that explains how agencies can reduce the risks to state funds.

**University Response**

*The University has reviewed its controls over expenditure processing and will segregate the duties of expenditure processing between three individuals to ensure the same person does not enter and alter or alter and approve transactions.*