

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



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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Texas A&M University at Galveston (University) payroll and purchase transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning March 1, 2013, through Feb. 28, 2014, 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:

- An incorrect longevity/hazardous duty payment amount.
- Improper reimbursement to local funds.

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:

- A discount not taken.

## 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employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked.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.

## Fixed assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the University's internal system. The disposed assets report listed 70 assets as missing and one asset as stolen with a net book value of \$1,436.46. The theft of the asset was supported by a police report.

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

## 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 July 29, 2010.

During the current audit, one recurring error was identified:

- Incorrect payment amount.

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## DETAILED FINDINGS — PAYROLL

### Incorrect Longevity/Hazardous Duty Payment Amount

#### Finding

We identified four incorrect payments of longevity pay and two incorrect payments of hazardous duty pay.

Two employees were credited for a full month of state service for a partial month of work. The position held by the Comptroller's office 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, Texas Government Code Annotated, Sections 659.043(a)(3), 659.044(c) (Vernon Supp. 2012). These errors resulted in overpayments totaling \$140.00.

One employee had prior state service at another state agency that was not included in the University's calculation. This resulted in an underpayment of \$580.00. Another employee's longevity service at a prior state agency was incorrectly credited as hazardous duty service. This error resulted in an overpayment of \$627.00.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made from agency funds. The Comptroller's office may require 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](#).

Total months of state service credit were incorrectly calculated for two employees.

One error resulted in an underpayment of hazardous duty pay in the amount of \$320.00; the other resulted in an underpayment of longevity pay in the amount of \$920.00.

During fieldwork, the University compensated the three employees who were underpaid. In addition, the University corrected the employees' months of service in its internal payroll/personnel system during fieldwork to ensure future longevity/hazardous duty payments are correct.

We provided the University with the schedules and calculations of the incorrect payment amounts. They are not included with this report due to confidentiality issues.

#### Recommendation/Requirement

The University should verify months of service data for its employees and enhance its internal controls to prevent incorrect payments of longevity and hazardous duty payments.

In addition, the University should verify all personnel files and ensure that prior state service is properly verified and documented for its employees.

The University should consider recovering the overpayments made to employees in accordance with Chapter 666, Texas Government Code.

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## University Response

*Management agrees with this finding. The issues identified are related to an error in verification and data entry process, incorrect calculations based upon awarding monthly rather than daily service credit, and an isolated case of accepting verification from a state employer as accurate and complete without confirming other qualifying service.*

*To enhance internal controls, the University began July 1, 2014 providing a written communication to applicable recent hires listing the amount of prior state service they have been credited along with information on who to contact if there is a discrepancy; the on-line calculator provided by auditors during their visit will be used to ensure accuracy in determining actual days of prior state service; and verifications will continue to be requested from all prior state agencies instead of only the most recent.*

*Effective July 1, 2014, the University began a review of all currently active employees to verify the accuracy of credited prior state service and ensure supporting documentation is contained in the personnel file.*

## Improper Reimbursement of Local Funds

### Finding

The University makes its payroll payments from local funds and reimburses its local funds from state funds. We noted one instance in which the University improperly reimbursed its local funds.

In the fall of 2008, the University originally intended to make a payment to an employee from local funds but cancelled the payment before it was issued. In March 2013, the University was reviewing transactions to allocate from local funds to state funds. The University identified the original payment transaction, but did not notice the cancellation. Therefore, state funds were used to reimburse a local account for a payment which was never made.

### Recommendation/Requirement

The University must verify that all payments reimbursed from local funds were actually made from those funds.

The University must reimburse the State Treasury for the amount reimbursed in error.

### University Response

*Management agrees with the finding and recommendation. Corrective action has been taken to prevent similar errors from occurring. The requested reimbursement was made as of May 30, 2014, within seven days of the error being brought to our attention. The ACO in the Comptroller's office is currently reviewing this reimbursement.*

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## DETAILED FINDINGS — PURCHASE

### Discount Not Taken

#### Finding

The University did not take advantage of a payment discount offered by a vendor. The invoice was received with sufficient time to process the payment and take advantage of the discount. According to the University, the reviewer noticed the “Net 30” payment terms at the top of the invoice and paid the invoice accordingly. The reviewer did not notice the “2/10 Net 30” discount offer at the bottom of the invoice.

Texas Government Code Annotated, Section 2251.030(d) (Vernon 2008) states: “A state agency, when paying for goods or services purchased under an agreement that includes a prompt or early payment discount, shall submit the necessary payment documents or information to the Comptroller sufficiently in advance of the prompt or early payment deadline to allow the Comptroller or the agency to pay the vendor in time to obtain the discount.”

When a prompt payment discount is available, it is the University’s responsibility to determine whether scheduling the payment or taking the discount is the greatest benefit for the state. In this case, the discount would have yielded a greater benefit than scheduling the payment.

#### Recommendation/Requirement

The University should discuss potential discounts with its vendors at the time of negotiating its agreements so the University can plan to ensure discounts are taken when they are advantageous to the state.

The University should compare the cost/benefit of early payments versus scheduling payments. If the University determines that the discount is more beneficial to the state, it should process the invoice promptly through the University’s payment process. If the discount is not beneficial to the state, the University should schedule all payments greater than \$5,000 for the latest possible distribution.

#### University Response

*Management agrees with the finding and recommendation. The University does negotiate with our vendors for discounts when discounts are determined to be in the best interest of the University and the state. We appreciated that the finding identified that two terms were listed on the invoice. This vendor has now been set up in our system with the discount terms. Procurement and Accounts Payable staff have been reminded to read the entire document so that discounts are not missed and to ensure terms are entered into our payment and procurement system.*

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## DETAILED FINDINGS — EXPENDITURE APPROVAL

### 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 remained listed on the University's voucher signature cards for 214 days after its notification should have been received by the Comptroller's office. 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 cards 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 writing as long as the writing indicates 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 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
- Checks to ensure that the revocation occurred.

#### University Response

*Management agrees with the finding. The single individual identified that remained on the signature card had all online USAS access terminated prior to leaving the agency.*

*The University receives daily reports of terminations and/or job changes and access is immediately revoked when applicable. New procedures, effective June 1, 2014, will ensure that all access, electronic and paper signature cards, is immediately revoked at the date of termination.*