

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



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# EXECUTIVE SUMMARY

## Audit scope

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

The System received appendices with the 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 System should implement the recommendations listed in the Detailed Findings of this report. It is the System'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 System's documents comply in the future. The System 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.

- No issues were identified.

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.

## Payment scheduling

We audited the System's compliance with the prompt payment law and scheduling rules.

The audit identified:

- Interest loss to the State Treasury on four purchase transactions.

## Travel transactions

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

The audit identified:

- One transaction citing a conservation of state funds issue.

## Grant transactions

The audit included a limited review of the System's transactions relating to grant payments. This review consisted of verifying that the payments did not exceed the authorized amounts. The review of these payments did not include an investigation of the System's procedures for awarding the grants or monitoring payments made to grantees; therefore, we are not offering an opinion on those procedures.

- No issues were identified.

## Refund of revenues transactions

The audit included a limited review of the System's transactions relating to refund payments. The review consisted of verifying that the provided documentation reconciled with the payment amount in the sample.

- No issues were identified.

## Internal control structure

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

The audit identified:

- Two employees who can adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers.

## Fixed assets

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

- No issues were identified.

## Direct deposit authorization forms

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

The audit identified:

- One outdated direct deposit form was used for a vendor. This form did not adhere to the National Automated Clearing House Association (NACHA) rules regarding International ACH Transactions (IATs). NACHA requires entities that originate ACH payments comply with IAT rules and federal law.
- One instance where the box indicating whether or not the payments will be forwarded to an institution outside the United States was checked "Yes" and the direct deposit instructions were still set up in TINS.

We ran a report to identify if the System had issued payments to the vendors. The report revealed that the System did not issue any payments to the specific vendors. In addition, they stated that the user who set the ACH information did so in error and that the vendor records were removed.

## Prior post-payment audit and current audit recurring errors

A prior post-payment audit of the System's payroll, purchase and travel transactions was concluded on April 23, 2009.

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

- Control weakness over expenditure processing.

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## DETAILED FINDINGS — TRAVEL

### Failure to Conserve State Funds

#### Finding

The System rented a 14 passenger bus with a driver for a day to transport six of its employees and five non-state employees in and around the Austin area to various meetings/events. The total cost was \$875.00. The System could have rented two premium Sport Utility Vehicles (SUVs) with refueling and taxes for a total cost of \$290.30. The total savings would have been \$584.70.

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. See Texas Government Code, Section 660.007(a) (Vernon 2008).

#### Recommendation/Requirement

The System must exercise caution in its use of state funds and ensure those expenditures are both legal and fiscally responsible. The System should also reimburse the State Treasury for the excessive amount of payment.

#### System Response

*When this event was being planned, the travel coordinator was asked to accommodate 13 people (11 actually traveled) to travel from each event timely. Parking in downtown Austin can be a challenge and due to the schedule it was deemed appropriate to have a driver and to rent a single vehicle large enough to accommodate the group. Due to the level of security at the Governor's Mansion, arriving in one vehicle (with one driver), enabled us to provide the DPS security guards with the driver's name, vehicle type and license plate number — all of which made the process much more efficient. Due to these relevant circumstances, we believe the shuttle bus with a driver was the most appropriate means of transportation.*

*We understand the Comptroller's office recommendation and are in the process of moving these costs to a local account.*

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## DETAILED FINDINGS — PAYMENT SCHEDULING

### Payments Not Scheduled

#### Finding

Texas Government Code, 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 four purchase transactions that the System paid early, resulting in an amount of interest loss to the State Treasury of \$49.16. The System claimed this issue occurred due to an oversight.

#### Recommendation/Requirement

To minimize the loss of earned interest to the State Treasury, the System must schedule all payments on invoices that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit — Prompt Payment](#) and [eXpendit — Payment Scheduling](#). The System can pay according to the terms on the invoice only if those terms are included in the purchase agreement.

#### System Response

*Texas A&M University System Offices' accounting system (FAMIS) accurately calculates the payment date based on the Comptroller's Prompt Payment and Scheduling Guide. The four payments mentioned above were processed as rush payments based on vendor requests. System Offices' employees will be reminded of the importance of the scheduling of payments in accordance with the Comptroller's office guidelines.*

#### Comptroller Response

Agencies are not allowed to pay vendors before the payments are actually due unless the invoice is less than \$5,000 or the state has a business reason for paying early. For example, agencies are allowed to make early payments to vendors:

- If the vendor and the agency already have an agreement to make a payment at a certain time or
- If the vendor gives the agency a substantial discount for paying early.

A vendor request does not provide sufficient business reason to pay early.

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## DETAILED FINDINGS — EXPENDITURE APPROVALS

### Control Weakness Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the System placed on its accounting staff members' abilities to process expenditures. We reviewed the System's security in USAS, TINS and voucher signature cards that were in effect on July 11, 2013. We did not review or test any internal or compensating controls that the System may have relating to USAS or TINS security or internal transaction approvals.

We identified two employees who had the ability to adjust payment instructions in TINS and approve paper vouchers. The System received a schedule of this finding during fieldwork. To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent practical.

#### Recommendation/Requirement

The System 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.

#### System Response

*The System Office changed the access of these two individuals on July 31, 2013.*