

Fiscal Management Division  
Expenditure Audit Section  
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Audit Report # 729-13-01  
August 13, 2014

# Post-Payment Audit of The University of Texas Southwestern Medical Center at Dallas



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of The University of Texas Southwestern Medical Center at Dallas (Center) payroll, purchase and travel 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 Center 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 Center should implement the recommendations listed in the Detailed Findings of this report. It is the Center'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 Center's documents comply in the future. The Center 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), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

The audit identified:

- Prior state service/longevity payment amount incorrect.

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:

- Freight not on original purchase order (PO).
- Violation of warrant hold statute.

### Travel transactions

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

- No issues were identified.

### Fixed assets

The audit included a limited review of 17 fixed assets acquired by the Center during the audit period to test for accurate reporting and to verify the existence of the assets.

- No issues were identified.

The Center reported 14 missing or stolen assets during the audit period with a net book value of \$8,474.80. All assets reported as stolen were supported by a police report.

### Internal control structure

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

The audit identified:

- One employee who can pick up warrants from the Comptroller's office and approve paper vouchers.
- Another employee who can adjust instructions in the Texas Identification Number System (TINS) and approve vouchers.

### Security

The audit included a security review to identify any of the Center'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 remained listed on the Center's voucher signature cards and also retained security in USAS after the employee's termination.

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

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

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

- Incorrect longevity pay amounts.
- Employee retained security after revocation/termination.
- Control weakness over expenditure processing.

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## DETAILED FINDINGS — PAYROLL

### Prior State Service/Longevity Payment Amounts Incorrect

#### Finding

We identified four employees who received too much longevity pay. Two employees had prior state service credit that was rounded and entered in the Center's internal system, awarding employees a full month of service regardless of their hire or termination dates. Two employees had leave without pay that was not used to calculate the employees' adjusted effective state service date.

Since the longevity pay statutes were first enacted in 1979, the position of the Comptroller's office has been 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 Texas Government Code Annotated, Sections 659.043(a)(3), 659.044(c) (Vernon 2012).

On April 1, 2013, the Center converted to PeopleSoft and is currently using it as its internal payroll system. The Center stated that the conversion enhanced its internal process. PeopleSoft's automated feature now calculates state service based on actual days of service and ensures that an employee's longevity pay and the incremental increase is processed on the correct pay period as it becomes due.

During our exit meeting, we provided the Center with schedules and calculations of the correct state service dates and total creditable state service. The schedules are not included with this report due to the inclusion of confidential information.

#### Recommendation/Requirement

The Center must verify its method of calculating lifetime service credit for all of its employees hired prior to April 1, 2013, when the Center converted to PeopleSoft.

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

#### Center Response

*In accordance with the recommendations made by the Comptroller's office, UT Southwestern will determine the amount that has been overpaid in longevity pay for the four individuals that received longevity overpayments. Corrections will also be made to the individual employee records that had incorrect service date calculations. In addition, UT Southwestern Benefits will conduct a deeper audit of employees with prior state service hired prior to April 1, 2013.*

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## DETAILED FINDINGS — PURCHASE

### Freight Not on Original Purchase Order

#### Finding

We identified two transactions where the Center paid freight charges even though they were not included on the original purchase order (PO). Freight charges not specifically identified on the original PO should not be paid by the Center. The Center stated that it was due to an oversight.

A purchase agreement and/or purchase order is a contract entered into by the state and a vendor. The Center may pay only the contracted amount as shown on the purchase agreement. If freight charges are not included in the purchase agreement, then the charges are not owed by the Center and should not be paid.

#### Recommendation/Requirement

The Center should document all freight terms on each PO. In situations where the final amount of freight cannot be determined, estimates may be used. In those instances, the Center should document the limit that may not be exceeded for any freight amount. If it is determined that the upper limit for a freight amount will be exceeded, the vendor should obtain approval for the higher amount. Any approvals for higher amounts should be documented prior to receiving the invoice.

#### Center Response

*We agree with the recommendation that freight terms will be correctly documented on each PO. Further, where the exact freight amount is not known at the time of purchase, an estimate will be used. Approvals will be documented in advance of receiving an invoice.*

## Violation of Warrant Hold Statutes

### Finding

The Center does not determine whether employees are indebted to the state or on warrant hold before making travel advances. In addition, the Center does not check vendors for warrant hold prior to making purchases with petty cash accounts.

According to the Center:

- Petty cash reimbursements are done at the cashier's window and must be \$50 or less. We are reimbursing an employee, and the time and effort needed to verify whether the individual is on warrant hold would result in an inefficient process. Research subjects are paid in the departments that do not have access to warrant hold information. Any large payments would be processed through Accounting and verification is done as part of the payment process. We are in the process of developing new methods that will allow us to eliminate petty cash reimbursements and cash payments to research subjects. We will work to include a verification process in the new methods to ensure compliance.
- The Travel Advance process is currently in development. When we moved to PeopleSoft, the warrant hold verification process was not included when the previous accounting management was developing customizations. We are working on a new process and this is delayed because the PeopleSoft IT group had to implement upgrades and maintenance packs first. We process approximately 15 advances per month and will implement a manual process to ensure no payments are made until the automated process is in place.

A state agency may not pay vendors or reimburse an officer or employee from petty cash, local funds and/or travel advances for a purchase if a payment is prohibited by warrant hold statute. See 34 Texas Administrative Code, Section 5.57(g)(6) (2013). The warrant hold statutes are:

- Texas Education Code Annotated, Sections 57.48, 57.482 (Vernon 2006);
- Texas Family Code Annotated, Section 231.007 (Vernon 2012); and
- Texas Government Code Annotated, Section 403.055 (Vernon 2005), Section 2107.008 (Vernon 2012).

USAS automatically checks vendor warrant hold status for payments processed through the system. It is the Center's responsibility to check vendors, officers and employees that are not paid directly through USAS before issuing travel advances or vendor payments.

### Recommendation/Requirement

The Center must develop procedures to verify warrant hold status before making payments from travel advance or petty cash accounts. See [Verifying Vendor Hold Status \(FPP K.012\)](#).

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## Center Response

*We agree and have implemented the process for travel advances and petty cash reimbursements. We are developing procedures to verify warrant hold status before making cash payments to research subjects.*

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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 the Center placed on its accounting staff's abilities to process expenditures. We reviewed the Center's security for USAS and TINS as well as signature cards. We did not review or test any internal or compensating controls that the Center may have relating to USAS or TINS security or internal transaction approvals.

During the audit period, the Center had one employee who could adjust payment instructions in TINS and approve paper vouchers, and another employee who could pick up warrants from the Comptroller's office and approve paper vouchers.

To reduce risks to state funds, the Center 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 Center 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 process payments without oversight.

#### Center Response

*We have updated each employee's access and security. We will continue to monitor access to ensure there is a proper segregation of duties.*

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

### Finding

During the audit period, the Center did not notify the Comptroller's office in a timely manner about the termination of one employee designated by the Center to approve its expenditures. The employee remained listed on the Center's voucher signature cards for six days after the employee's termination. The Center is required to notify the Comptroller's office within five days after termination. The Center's notification was one day delinquent. This means that the former employee could have approved paper vouchers submitted to the Comptroller's office on paper during that time. Any payment produced by a paper voucher that was approved by the employee's expired authority would have constituted an unapproved expenditure. This employee also retained USAS security for six days after termination allowing the employee to approve electronic vouchers during that time. According to the Center, the employee remained on the signature card and USAS security due to an 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 as long as the writings indicate that a designated employee has terminated employment and the notification specifies the effective date of the employee's termination.

If an employee's authority to approve an agency's expenditures is revoked for any reason, the agency must change the USAS security profile no 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 Center must ensure compliance with the notifications requirements listed in the Finding section. The Center 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 date the termination becomes effective and
- Follows through with the Comptroller's office to ensure the receipt of the notification and that the revocation occurred.

**Center Response**

*We have corrected this oversight and reiterated the importance of immediate termination of employees' access to all systems when they transfer, change duties or terminate employment.*