

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Randy Taylor

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# Post-Payment Audit of the Texas State Technical College



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas State Technical College (College) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning June 1, 2013, through May 31, 2014, to determine compliance with applicable state laws.

The College 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 College should implement the recommendations listed in the Detailed Findings of this report. It is the College'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, 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 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 amount of a lump sum vacation payment.

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:

- Payment scheduling issues.
- The College paid \$445.17 in prompt payment interest.

## Travel transactions

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

The audit identified:

- Gratuities not payable.
- Incorrect amount reimbursed for lodging and taxes.
- Lack of conservation of state funds.

## Payment card transactions

We reviewed payment card transactions for compliance with the GAA, [eXpendit](#) and other pertinent statutes.

The audit identified:

- Freight not on purchase order (PO).

## 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.

The College reported 36 assets on the missing or stolen asset report. Eight missing assets had a net book value of \$4,515.36 during the audit period. According to the College, 34 assets met the two-year limit coded as ‘missing – hold for deletion;’ efforts to find the missing assets were unsuccessful. These assets were coded to ‘missing’ so they can be removed from SPA. Two assets with a net book value of \$11,486.61 were stolen and police reports were provided.

## Direct deposit authorization forms

A review was conducted of the College’s procedure to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

The audit identified:

- All ten vendors reviewed were set up using an internal direct deposit form which did not indicate whether or not the direct deposit payment was an International Automated Clearing House transaction as required by the National Automated Clearing House Association rules.

The College added the question to the internal form so that it will be in compliance.

### Duplicate payments

We ran a report to identify potential duplicate payments processed by the College for the audit period. We reviewed 20 pairs of possible duplicate payments.

The audit identified:

- One duplicate payment.

### Security

The audit included a security review that entailed identifying any of the College'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.

- No issues were identified.

### 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:

- Four employees who had the ability to adjust payment instructions in the Texas Identification Number System (TINS) and also approve paper vouchers.

### Grants and refund of revenue

We also conducted a limited review of the College's transactions relating to grants and refund of revenue 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 College's procedures for awarding the grants or monitoring payments made to the payees; therefore, we are not offering an opinion on those procedures.

- No issues were identified.

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

A prior post-payment audit of the College's payroll and purchase transactions was concluded on June 13, 2011.

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

- Payment of gratuities.
- Payment scheduling issues.
- Incorrect travel amounts.
- Control weakness over expenditure processing.

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## DETAILED FINDINGS — PAYROLL

### Overpayment of Lump Sum Vacation Pay

#### Finding

We identified one instance where the College overpaid a lump sum vacation payment. The College used an incorrect number of hours in the lump sum vacation pay calculation, which resulted in an overpayment of \$817.50. Instead of 16 hours of holiday time being added to the total vacation time, 61 hours were added.

The balance of the accrued vacation hours must be allocated over the work days following the effective date of the employee's separation from state employment until the accrued vacation time is completely allocated. Hours must be added for each state or national holiday that occurs during the period over which the time is allocated. See Texas Government Code, Section 661.064(a) (Vernon 2009).

We provided the College with the schedule and calculations of the incorrect payment during our exit meeting. The College was in agreement with the calculated overpayment of lump sum vacation pay. The schedule was not included with this report due to confidentiality issues.

#### Recommendation/Requirement

The College should ensure all information is accurate before its final payroll processing.

The College should recover the amount of overpayment unless it determines it is not cost effective to do so in accordance with Texas Government Code, Section 666.

#### College Response

*The College agrees with the finding.*

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## DETAILED FINDINGS — PURCHASE

### Payments Past the Prompt Payment Deadline and Payments Not Scheduled

#### Finding

According to the prompt payment law, Texas Government Code, Section 2251.021 (a), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract;
- The date the performance of the service under the contract is completed; or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office automatically computes any interest due under the prompt payment law. A state agency is liable for interest that accrues on an overdue payment and shall pay the interest from funds appropriated or otherwise available to the agency with the net amount for the goods or services. See Texas Government Code, Section 2251.026(b)-(c), (e)-(f) (Vernon 2008). During the audit period, the College paid \$445.17 in late payment interest.

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 two purchase transactions that the College paid early, resulting in an amount of interest lost to the State Treasury of \$157.03. The College had no explanation as to why the payments were not scheduled.

#### Recommendation/Requirement

To minimize the loss of earned interest to the State Treasury, the College 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 College can pay according to the terms on the invoice only if those terms are included in the purchase agreement.

#### College Response

*The College agrees with the finding.*

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## DETAILED FINDINGS — TRAVEL

### Incorrect Amount Reimbursed for Lodging and Taxes

#### Finding

We noted one travel document that reimbursed three employees for two nights of lodging, meals, and related taxes that exceeded the locality rate. Two employees each claimed \$415.00 in meals and lodging but were limited to \$123 per person per night. The amount in error for these employees was \$338.00. The other employee claimed \$407.00 for two nights' meals and lodging, but was also limited to \$123 per night. The amount in error for this employee was \$161.00. Total lodging amount in error was \$499.00.

The College stated that internal travel procedures allow the higher lodging amounts when staying at a conference hotel. The College intended to pay the amounts that exceed the locality rate with local funds.

The amount of reimbursement may not exceed the Comptroller's maximum reimbursement rate for lodging at the employee's duty point. See [Textravel – Meals and Lodging](#).

The overpayment for taxes relating to the lodging overpayment is \$44.91.

In addition, if the tax is calculated as a percentage of the lodging rate, then the amount of the reimbursement is equal to the percentage multiplied by the maximum that may be reimbursed to the employee for lodging expenses. See [Textravel – Hotel occupancy taxes](#).

#### Recommendation/Requirement

We recommend that the College enhance its review process of all travel vouchers submitted into USAS to ensure that only expenditures that comply with state laws and rules are reimbursed.

We recommend that the College amend its internal procedures to comply with Textravel.

#### College Response

*The College agrees with the finding.*

## Lack of Conservation of State Funds

### Finding

We identified one instance where the College reimbursed a traveler for mileage accrued while operating a personal vehicle to conduct official business. Based on applicable car rental rates, related tax, cost of gas and the standard mileage rates in effect at the time of travel, it would have been more cost-beneficial to the state if the traveler used a rental vehicle instead of a personal vehicle.

The College's procedures do not require travelers to prepare a cost comparison of rental car versus personal vehicle prior to travel.

According to Texas Government Code, Section 660.007(a) (Vernon 2012), 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.

### Recommendation/Requirement

The College must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. The College should implement a cost analysis policy to ensure it uses the most cost efficient method of travel.

### College Response

*The College agrees with the finding.*

## Gratuities Not Payable

### Finding

We identified one travel transaction that reimbursed an employee for transportation expenses that included gratuities. The College indicated that the gratuities were not identified as errors during the review, since the original vouchers were reimbursed from local funds where travelers were able to claim gratuities.

Texas Constitution, Article III, Section 51, prohibits the giving away of the state's money for private purposes. The payment of gratuities is a violation of this section.

The College received a reimbursement from the employee for the excessive amount.

### Recommendation/Requirement

The College must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy prior to payment.

### College Response

*The College agrees with the finding.*

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## DETAILED FINDINGS — DUPLICATE PAYMENT REPORT

### Duplicate Payment

#### Finding

We ran a report to identify potential duplicate payments processed by the College for the audit period. During our review of this report, we identified one payment to the College's Service Center that was duplicated.

The total amount of overpayment was \$175.58. As a result of the audit, the College received a credit from the Service Center.

The College stated the second payment was processed due to oversight.

#### Recommendation/Requirement

The College must strengthen its current procedures to ensure that it avoids making duplicate payments to vendors. The accounting staff should ensure that payments are reconciled in an effort to prevent future duplicate payments.

#### College Response

*The College agrees with the finding.*

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## DETAILED FINDINGS — PAYMENT CARD

### Freight Not on Purchase Order

#### Finding

We identified one transaction where a freight charge was paid even though it was not included on the original PO. Freight charges not specifically identified on the original PO should not be paid by the College. The College stated that the freight is normally included with the cost of the product. However, the College will include a separate line for freight on future purchases.

A PO is a contract entered into by the state and a vendor. The College may pay only the contracted amount as shown on the PO. If freight charges are not on the PO, then the charges are not owed by the College and should not be paid.

#### Recommendation/Requirement

The College 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 College should document the limit that may not be exceeded for freight. 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.

#### College Response

*The College agrees with the finding.*

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## DETAILED FINDINGS — EXPENDITURE APPROVAL

### Control Weakness Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the College placed on its accounting staff members' abilities to process expenditures. We reviewed the College's security in USAS, TINS and voucher signature cards that was in effect on July 14, 2014. We did not review or test any internal or compensating controls that the College may have relating to USAS or TINS security or internal transaction approvals.

During the audit period, the College had four employees 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 without another person's involvement.

#### Recommendation/Requirement

The College 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.

#### College Response

*The College agrees with the finding.*