

Fiscal Management Division  
Expenditure Audit Section  
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# Post-Payment Audit of the University of Houston – Clear Lake



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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the University of Houston – Clear Lake (University) payroll and purchase 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 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, 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 longevity payment amount.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

For the transactions in our sample, we conducted a comparison of payroll reimbursements processed through USAS and payrolls recorded in HRIS.

- We confirmed that payrolls processed through USAS were recorded in HRIS.

## Purchase transactions

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

- No issues were identified.

## 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:

- 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 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 University reported six assets as missing or stolen, with a net book value of \$1,434.06. The University provided police reports for the stolen assets.

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

## 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 April 14, 2011.

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

- Incorrect longevity payment amount.
- Controls over expenditure processing.

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## DETAILED FINDINGS — PAYROLL

### Incorrect Longevity Payment Amount

#### Finding

In our audit of payroll transactions, we identified three employees with incorrect effective state service dates in the University's internal payroll/personnel system. This resulted in two employees overpaid a total amount of \$480.00 in longevity pay and one employee underpaid an amount of \$80.00.

The University incorrectly calculated these employees' effective service dates.

The University compensated the employee for the underpayment amount during fieldwork.

We provided the University with the schedule and calculations of the error amounts during fieldwork; those documents are not included with this report due to confidentiality.

#### Recommendation/Requirement

The University must create procedures to ensure accurate entry of effective service dates in its internal payroll/personnel system.

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

#### University Response

*UHCL concurs with the finding. UHCL has corrected the service dates of the identified employees sampled. UHCL will perform an overall review of all active personnel files in the Human Resource Management System to ensure accurate service date calculation. UHCL will also create standard procedures to ensure consistency when determining the employees' service dates.*

*UHCL has determined that it was not cost effective to recover the overpayments of longevity pay for an amount of \$480.00 in accordance with Texas Government Code, Chapter 666.*

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## DETAILED FINDINGS — EXPENDITURE CONTROL

### Control Weakness Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the University placed on its accounting staff members' abilities to process expenditures. We reviewed the University's security in USAS, TINS and voucher signature cards that was in effect on Aug. 20, 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.

Two employees can adjust payment instructions in TINS and approve paper vouchers without oversight. The University was provided with a schedule of this finding during fieldwork.

To reduce risk to state funds, agencies should have controls over expenditure processing that segregates each accounting task to the greatest extent practicable. Ideally, no individual should be able to process transactions without another person's involvement.

#### Recommendation/Requirement

The University should periodically 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.

#### University Response

*UHCL concurs with the finding. UHCL has rectified the security access level of the identified two employees accordingly. The following action is taken to avoid such situations in the future: UHCL has updated the standard operating procedures to review security access on a quarterly basis to ensure no one employee is able to adjust payment instructions in TINS and approve vouchers.*