

Fiscal Management Division  
Expenditure Audit Section  
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Audit Report # 734-14-01  
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# Post-Payment Audit of Lamar University – Beaumont



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of Lamar University – Beaumont (University) 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 University 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 University should implement the recommendations listed in the Detailed Findings of this report. If necessary, the 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 Texas Comptroller of Public Accounts (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:

- Incorrect longevity payment amounts.

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.

### Travel transactions

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

- No issues were identified.

## Payment card transactions

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

The audit identified:

- Unauthorized use of state-issued travel card.

## Fixed assets

The audit included a limited review of 10 fixed assets acquired by expenditures during our audit period to test for accurate reporting and to verify existence of the asset.

- Two assets were not properly tagged.

During the audit period, the University reported five stolen assets and filed a police report for the stolen assets. Three assets did not have any net book value while the other two had a combined net book value of \$600.64.

## Direct deposit authorization forms

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

The audit identified:

- Seven vendors who were missing the direct deposit authorization form required by the National Automated Clearing House Association rules.

## 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 Dec. 14, 2010.

During the current audit, we did not identify any recurring errors.

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## DETAILED FINDINGS — PAYROLL

### Incorrect Payment of Longevity Pay

#### Finding

We identified one employee who noted prior state service on the job application but did not receive credit for this time. As a result of the audit, the University reviewed and credited the employee for the additional prior state service time and properly compensated the employee for the unpaid amount of longevity pay.

The University's procedures include obtaining prior state service verifications whenever an employee indicates previous state employment on the University's internal form. In this instance, the University stated that its staff accidentally overlooked the employee's previous state employment while entering employee time in the system. The additional service time resulted in an underpayment of longevity pay in the amount of \$960.00 for the duration of employment with the University.

When an agency hires an employee, the agency must research if the employee has previous state employment. If there is prior state employment, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See the [Texas Payroll/Personnel Resource](#).

We provided the University with the schedule and calculations of the longevity underpayment during fieldwork. The schedule and calculations are not included with this report due to confidentiality issues.

#### Recommendation/Requirement

The University should review each employee's job application and/or resume for prior state service for all current and new employees and ensure that it is properly recorded.

#### University Response

*The University does review each employee's job application and/or resume for prior state service for new employees and the University has implemented a review of current employees' prior state service to ensure that it is properly recorded. The employee's state service noted in the audit has been corrected. This recommendation has been implemented.*

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## DETAILED FINDINGS — PAYMENT CARD TRANSACTIONS

### Unauthorized Use of State-Issued Travel Card

#### Finding

During our review of travel card expenses, we identified several instances where an employee used a state-issued travel card to purchase items of a personal nature. The University indicated that its internal procedures require monitoring of expenditures made with the state-issued credit card, but in this instance it did not follow those procedures. The University also stated that all state-issued travel card transactions are paid by the employee and only appropriate expenses are reimbursed to the employee with institutional funds but because of this audit it will revise its monitoring process to ensure personal transactions do not occur in the future.

As a result of the audit, the University suspended the employee's state-issued travel card and stated that it will conduct a retroactive review of all transactions and take corrective action.

According to 34 Texas Administrative Code, Section 20.308(c) (2) (2014), state agencies shall cancel state-issued travel credit card when the employee fails to timely pay the charges, uses the card for personal transactions, or for any other misuse of the credit card.

#### Recommendation/Requirement

The University must ensure that all state-issued travel card transactions are properly reviewed and that University travel cards are used in accordance with the applicable rules and requirements. The current state credit card administrator, Citibank, offers reports that could help the University monitor its credit card usage. The University should consider offering periodic training to its credit card holders on proper use of state-issued credit cards.

In accordance with 34 Texas Administrative Code, Section 20.308(c) (2) (2014), the University must cancel the state-issued travel credit card for any employee who fails to timely pay the charges, uses the card for personal transactions, or for any other misuse of the credit card.

#### University Response

*The University reviews all travel card transactions to ensure the travel cards are used in accordance with the applicable rules and requirements. A retroactive audit was conducted and applicable action was taken as necessary. Training is provided to all card holders. The University cancels the state-issued travel card for employees who fail to timely pay, uses the card for personal transactions, or any other misuse. This recommendation has been implemented.*

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## DETAILED FINDINGS — DIRECT DEPOSIT AUTHORIZATION FORM

### Missing Direct Deposit Authorization Form

#### Finding

We conducted a review of the University's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally. Of the ten vendors selected and reviewed, seven did not have a direct deposit setup form on file. Without a proper form on file, the University was unable to indicate whether state funds would be forwarded to a financial institution outside the United States.

International ACH (Automated Clearing House) Transactions (IATs) are destined for a financial institution outside of the territory of the United States. Because of federal requirements mandated by the Office of Foreign Assets Control (OFAC), the National Automated Clearing House Association (NACHA) has adopted specific rules on the identification and processing of these types of direct deposit payments.

To avoid potential federal penalties, each state agency must:

- Show due diligence in the processing of all direct deposit payments.
- Do their best to ensure direct deposit payments they issue to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside of the U.S.

According to the University, the missing direct deposit setup forms were an oversight due to a lack of understanding of the federal procedures. During the fieldwork, the University contacted all seven vendors and obtained properly completed direct deposit forms.

#### Recommendation/Requirement

The University must ensure that all payees that request payment by direct deposit provide the appropriate direct deposit authorization form, with the IAT question answered and the form signed. A direct deposit authorization form should not be processed if the IAT section is left blank or the form is unsigned.

#### University Response

*The University has implemented new procedures to ensure that all payees that request payment by direct deposit provide the appropriate direct deposit authorization form, with the IAT question answered and the form signed. A direct deposit authorization form should not be processed if the IAT section is left blank or the form is unsigned.*