

Fiscal Management Division  
Expenditure Audit Section  
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# Post-Payment Audit of Sul Ross State University



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Sul Ross State University (University) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning Sept. 1, 2013, through Aug. 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.

*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.*

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.

### 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.

The audit identified:

- Purchase order (PO) created after invoice received.
- Missing purchase documentation.
- Prompt payment issues and payment scheduling.

### Travel transactions

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

The audit identified:

- Lack of conservation of state funds.
- Meals and lodging not payable.
- Hotel taxes not payable.

### Fixed assets

The audit included a limited number of fixed assets acquired by the University during the audit period to test for accurate reporting in the State Property Accounting (SPA) System and to verify existence of the assets.

The audit identified:

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

The University reported 35 missing assets with a net book value of \$173.08 during the audit period. According to the University, the assets met the two-year limit, coded as 19 (missing, hold for deletion); efforts to find the missing assets were not successful. These assets with minimal net book value were changed to code 18 (missing) so they can be removed from SPA.

### Security

The audit included a security review to identify any of the University'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 audit identified:

- One employee who retained the security to expend funds after authority expired.

### 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:

- Three employees who had the ability to pick up warrants from the Comptroller's office and approve paper vouchers.

## Other auditor observations

On the prior post-payment audit, the University had an irrecoverable balance in its travel advance account. As a result of that audit, all methods for collection were exhausted so a claim was made to an insurance company for the amount of \$55,107.31. The insurance company reimbursed the University \$54,107.31. The remaining \$1,000.00 was the deductible and is a receivable in the travel advance account. The University has implemented procedures to prevent this from happening again. The University must follow procedures outlined in [Travel Advance Account and Petty Cash Account \(APS 010\) \(FPP A.044\)](#) to properly report and obtain reimbursement of the remaining irrecoverable balance.

## Warrant hold status

The audit included an inquiry about the warrant hold procedures of the University.

The audit identified:

- Warrant hold status was not verified for travel advances, payment card purchases of more than \$500 and petty cash transactions made using local funds.

## 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 Aug. 23, 2010.

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

- Control weakness over expenditure processing.

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## DETAILED FINDINGS — PURCHASE

### Missing Documentation

#### Finding

During our audit of purchase transactions, we identified one payment not supported by a purchase voucher packet. The University was unable to provide the purchase voucher form, the contract or invoice to support the expenditure. Without the supporting documentation, we were not able to determine if the payment complied with the rules and statutes that govern state expenditures.

It is the general responsibility of a state agency and its officers and employees to “ensure that for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.” See 34 Texas Administrative Code, Section 5.51(c) (1) (D) (2014).

#### Recommendation/Requirement

The University must ensure that it creates and maintains supporting documentation so that no payment is made without sufficient supporting documentation. The University must be able to provide that documentation during an audit review.

If the University feels that the amount was reimbursed in error, it must reimburse the State Treasury for the amount reimbursed in error.

#### University Response

*Management agrees with the recommendation that we must create and maintain sufficient supporting documentation. As such, we will review and adjust our procedures accordingly. Although the purchase voucher packet for this payment has not been located, we feel certain that the reimbursement is appropriate and no reimbursement to the state is necessary. The payment in question was made pursuant to a facilities lease agreement with the Southwest Texas Junior College. We will continue our efforts to locate the missing documentation.*

## Purchase Order Created After Invoice Received

### Finding

We identified two instances where purchase orders were not created until after the vendors invoiced the University. The University's procedures require that staff create a purchase order prior to obtaining goods and services, but this procedure was not followed in these instances.

The University could not determine why the purchase orders were not prepared until after the invoices were received.

Without issuing the purchase order and documenting it with the vendor prior to ordering the goods, it becomes difficult for the University to ensure that it is not overcharged or billed for goods or services beyond those the University had agreed to purchase.

It is the general responsibility of a state agency and its officers and employees to "ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible." See 34 Texas Administrative Code, Section 5.51(c) (1) (D) (2014).

### Recommendation/Requirement

The University must ensure that its procedures are followed. While a formal purchase order is not required, the University must ensure that documentation of the purchase agreement is prepared at the time the University orders the goods or services.

### University Response

*Management agrees with this recommendation. We will review our procedures and adjust as necessary in an effort to ensure that this does not reoccur. These purchases were for library books purchased through the Southwest Texas Junior College and are routine in nature. Thus, we believe an annual purchase order will address the issue.*

## Prompt Payment and Payment Scheduling Errors

### 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 computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. Texas Government Code, Section 2251.026 (Vernon 2008). During the audit period, the University paid vendors \$214.10 in interest.

In our sample, we identified seven purchase transactions paid late where interest was not paid and one transaction where interest was underpaid because the University entered incorrect due dates in USAS. According to the University, all of these occurred due to oversight when processing the payments.

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 requires advance scheduling of payments when it is advantageous to the state.

We identified three purchase transactions that the University paid early, resulting in interest loss to the State Treasury. The University stated this occurred due to oversight when scheduling the payment.

### Recommendation/Requirement

The University must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the University must verify that proper due dates are entered to ensure that if interest is due, it is paid correctly to the vendors.

To minimize the loss of earned interest to the State Treasury, the University must schedule all payments that are greater than \$5,000.00 for the latest possible distribution and in accordance with its purchasing agreements as described in [Prompt Payment](#) and [Payment Scheduling](#) in eXpendit.

### University Response

*Management agrees with this recommendation. We will review and adjust our procedures as necessary in an effort to ensure compliance with state prompt payment guidelines.*

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## DETAILED FINDINGS — TRAVEL

### Meals and Lodging Not Payable

#### Finding

We identified one travel voucher that reimbursed an employee for the lodging expenses of three other employees for one or two nights of lodging. The employee claimed \$475.00 in additional lodging expenses. The other employees planned to pay with another form of payment but the hotel would not accept this form of payment. The other employees should have reimbursed the employee then claimed the expenses on their individual travel vouchers.

The employee may only be reimbursed for his or her actual lodging expense not to exceed the maximum lodging reimbursement rate. See [Texttravel – Lodging reimbursements](#).

We identified another travel transaction where the University reimbursed an employee for meals that were in excess of the allowable reimbursement rate for the locality. The University stated that this was an oversight.

The reimbursement may not exceed the maximum reimbursement rate for the employee's duty point. See [Texttravel – Meal reimbursements](#).

#### Recommendation/Requirement

We recommend that the University enhance its review process of all travel vouchers submitted into USAS for reimbursement to ensure that only expenditures that comply with state laws and rules are included in the entries.

The University must ensure that in the future it does not reimburse its employees for meals that exceed the maximum rate for the employee's duty point. If cost effective, the University should seek a refund of overpayment.

#### University Response

*Management agrees with this recommendation. We will enhance our review process of all travel vouchers submitted into USAS to ensure compliance with state rules. We will also enhance our efforts to make sure that our reimbursements to employees do not exceed the allowable maximums for the appropriate duty point. Regarding the reimbursement of an employee for lodging expenses of three other employees for lodging, as discussed and disclosed in this document, the other employees on this trip planned to pay with another form of payment, but upon arrival the hotel did not accept their form of payment. Their supervisor then paid the hotel bill with his accepted form of payment. The supervisor and the employees have been counseled on the proper method of handling situations like this.*

*The hotel did not issue receipts to each traveler; therefore, we found it necessary to process the document in this manner. We will review our travel policies and procedures and revise as necessary in an effort to prevent future issues.*

## Lack of Conservation of State Funds

### Finding

We identified one instance where the University reimbursed a traveler for mileage and airport parking for a trip that should have been coordinated with another state employee. The other traveler used a state vehicle to make the same trip with the same itinerary. The University would have saved some expenses if the trips were coordinated.

The University had no explanation as to why the trip was not coordinated.

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 University must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible.

The University must obtain a reimbursement from the traveling employee unless it determines it is not cost effective to do so. If reimbursement is obtained from the employee, the University must reimburse the State Treasury for the excessive amount.

### University Response

*Management agrees with this recommendation that caution must be exercised in the use of state funds to ensure fiscal responsibility.*

*However, regarding this finding, upon further review and discussion with the travelers, it was determined that though they had similar itineraries, they in fact after leaving the airport had different travel plans and were not reporting back to duty point at the same time.*

*The University coordinates travel whenever possible to maintain fiscal responsibility. We will review our travel policies and procedures and revise as necessary in an effort to prevent future issues.*

## Improper Payment of Hotel Taxes

### Finding

We identified one travel voucher where the University reimbursed an employee for the lower lodging rate, but reimbursed the hotel taxes at a higher lodging amount than allowed for the locality. The University stated that this was an oversight.

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 [Texttravel – Maximum reimbursement](#).

We also identified one travel voucher where the University did not reimburse an employee for the lodging expenses of another employee, but did reimburse the hotel taxes associated with the lodging amount. The University stated that this was an oversight.

Since the traveler cannot claim the lodging expenses of another traveler, the taxes are not payable either.

### Recommendation/Requirement

We recommend that the University take steps to adequately review all vouchers submitted into USAS for reimbursement to ensure that only expenditures that comply with state laws and rules are included in the entries.

The University should seek reimbursement for the excessive amounts unless it determines it is not cost effective to do so.

### University Response

*Management agrees with the recommendation. We will review our travel policies and procedures and revise as necessary to prevent future issues.*

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## DETAILED FINDINGS — WARRANT HOLD STATUS

### Violation of Warrant Hold Statutes

#### Finding

The University does not determine whether vendors are indebted to the state or on warrant hold before making travel advances, payment card purchases of more than \$500 or purchases with petty cash accounts.

A state agency may not pay vendors or reimburse an officer or employee from petty cash, local funds, and/or travel advances if a payment is prohibited by warrant hold statute. See 34 Texas Administrative Code, Section 5.57(g)(6) (2014). The warrant hold statutes are:

- Texas Education Code, Section 57.48, 57.482 (Vernon 2006)
- Texas Family Code, Section 231.007 (Vernon 2008)
- Texas Government Code, Sections 403.055 (Vernon 2005) and 2107.008 (Vernon 2008).

State agencies are required to verify a vendor's hold status for non-emergency payments made with payment cards over \$500 in accordance with [Verifying Vendor Hold Status \(FPP K.012\)](#). Also see 34 Texas Administrative Code, Section 20.41. 34 Texas Administrative Code, Section 5.57(g)(6) (2014) prohibits a state agency from using a payment card for a purchase from a vendor if a payment to the vendor is prohibited by a warrant hold statute.

USAS automatically checks vendor warrant hold status for payments processed through the system. It is the University'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 University must develop procedures to verify warrant hold status before making payments from:

- A travel advance,
- A payment card purchase of more than \$500 and
- A petty cash account.

See [Verifying Vendor Hold Status \(FPP K.012\)](#).

#### University Response

*Management agrees with this recommendation. We will develop procedures to verify warrant hold status for travel advances, petty cash reimbursements, purchase orders and p-card payments. The Comptroller's TINS (Texas Identification Number System) vendor hold search website will be used for this purpose.*

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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 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 Sept. 22, 2014. We did not review or test any internal or compensating controls the University may have relating to USAS or TINS security or internal transaction approvals.

During the audit period, the University had three employees who could pick up warrants from the Comptroller's office and approve paper vouchers. The University did not realize that being on the signature card should not be combined with the authority to pick up warrants.

To reduce risks to state funds, the University 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 University 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.

#### University Response

*Management agrees with this recommendation. We will submit a revised Agency Authorization for Warrant Pickup form to the State Comptroller to remove the current authorizations and replace them with only one person in order to ensure that no individual is able to process payments without oversight.*

*Only one individual will now be authorized to pick up warrants, and she does not have signature card authorization.*

## Employee Retained Security to Expend Funds After Authority Expired

### Finding

During the audit period, the University failed to timely submit a request to the Comptroller's office to remove one employee's USAS security to electronically approve expenditures. The request must be sent on or before the effective date of an employee's termination or revocation; in this case, the security request was never sent to or revoked by the Comptroller's office. This permitted the employee to approve any vouchers the University submitted electronically to the Comptroller through USAS after the authority expired.

When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's security profile must be changed not 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) (2014).

The University has procedures to notify the security coordinator of personnel actions. In this instance, the request to remove the employee's security was delayed because the security coordinator was not informed that the employee was removed from the signature cards in a timely manner.

As a result of the audit, the security has been removed.

### Recommendation/Requirement

The University must ensure that the person responsible for sending these security access requests to the Comptroller's office is aware of the designated employee's termination or revocation on or before the date the termination or revocation becomes effective. The University must also follow through with the Comptroller's office to ensure receipt of the request and removal of the employee's security.

### University Response

*Management agrees with the recommendation. We will review our procedures and adjust as necessary to ensure that terminations or revocations of employees immediately result in USAS security access termination or removal and that no terminated employees have security access beyond the effective date of termination.*