

Fiscal Management Division  
Expenditure Audit Section  
Auditor: Randy Taylor

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# Post-Payment Audit of The University of Texas at Dallas



**Glenn Hegar**  
Texas Comptroller of Public Accounts

# Table of Contents

## Executive Summary

|                                                                  |    |
|------------------------------------------------------------------|----|
| Audit scope .....                                                | i  |
| Payroll transactions and payroll deductions .....                | i  |
| Purchase transactions .....                                      | ii |
| Travel transactions.....                                         | ii |
| Incorrect processing of reimbursements .....                     | ii |
| Prior post-payment audit and current audit recurring errors..... | ii |

## Detailed Findings — Payroll

|                                                                      |   |
|----------------------------------------------------------------------|---|
| Incorrect Months of Service / Incorrect Amount of Longevity Pay..... | 1 |
| Missing Emolument Forms .....                                        | 2 |

## Detailed Findings — Purchase

|                                                |   |
|------------------------------------------------|---|
| Missing / Insufficient Documentation .....     | 3 |
| Duplicate Reimbursement .....                  | 4 |
| Missing Statutory Authority for Purchase ..... | 5 |
| Missing Authorization from Agency Head.....    | 6 |
| Improper Payment of State Sales Taxes .....    | 7 |

## Detailed Findings — Purchase and Travel

|                             |   |
|-----------------------------|---|
| Gratuities Not Payable..... | 8 |
|-----------------------------|---|

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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of The University of Texas at Dallas (University) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning March 1, 2013, through Feb. 28, 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. It is the University's responsibility to seek refunds for all overpayments, unless the University determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), 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 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 months of service/Incorrect amount of longevity pay.
- Missing emolument allowance form.

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:

- Missing / Insufficient documentation.
- Duplicate reimbursement.
- Missing statutory authority for purchase.
- Missing authorization from agency head.
- Improper payment of state sales taxes.

## Travel transactions

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

The audit identified:

- Gratuities not payable.

## Incorrect processing of reimbursements

In a report generated outside of our sample, we identified several documents that processed with an incorrect transaction code (T-code) and/or with incorrect vendor names. The report includes the details of transactions identified from payment card, local funds and travel reimbursements. An electronic copy of the spreadsheet was provided to the University for the University's review. The use of proper T-codes and vendor names is necessary to capture the actual name of the vendors doing business with the state. Improper processing procedures result in the inaccurate reporting of expenditures for public information requests.

See [Fiscal Policies and Procedures \(FPP\) A.043](#), which explains how state agencies and institutions of higher education must process third-party reimbursements through USAS.

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

A prior post-payment audit of the University's payroll and purchase transactions was concluded on Aug. 20, 2010.

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

- Missing / Insufficient documentation.
- Incorrect amount of longevity pay.

**Contact:**  
Randy Taylor, CTP  
512-463-4035

**Contributing Auditor:**  
Valerie Davis, CTPM

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## DETAILED FINDINGS — PAYROLL

### Incorrect Months of Service / Incorrect Amount of Longevity Pay

#### Finding

In our audit of payroll transactions, we identified one employee with incorrect months of service credit in the University's internal payroll/personnel system. As a result, the employee was overpaid a total of \$20.00 longevity pay within the sample. The employee was overpaid an additional \$40.00 longevity pay outside the sample. Additionally, the adjusted state effective service date within the University's internal payroll/personnel system was incorrect. The University did not provide an explanation for the incorrect number of months of service.

The proper calculation of the state effective service date is derived by subtracting the correct total days of lifetime service credit from the most recent employment date. That date is used to determine when the longevity pay is to be increased.

See [Texas Payroll/Personnel Resource – Longevity Pay](#).

We provided the University with the schedules and calculations of the incorrect payment amounts during fieldwork. They are not included in this report because they contain confidential information.

The University corrected the employee's months of service in its internal system during fieldwork to ensure future longevity pay increases occur at the correct times.

#### Recommendation/Requirement

The University should verify months of service data for its employees and enhance its internal controls to prevent incorrect payments of longevity pay.

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

#### University Response

*The University agrees with the state's finding and recommendation. The longevity process has been reviewed and enhancements in process and programming have been made. If the employee notifies the University that he/she has prior state service, the HR Record Technician ensures that a Prior State Service Verification form is completed and verified. After verification of the service records, the HR Record Technician posts the information on the PeopleSoft – Lone Star Service verification page. The PeopleSoft – Lone Star process is programmed to automatically create a longevity payment in Payroll based on the prior service data posted in Lone Star. The HR Technician provides a copy of the Prior State Service Verification Form to the Benefits Specialist for final review and audit of the entry made by the HR Record Technician. The Benefits Specialist also reviews the calculated payment and any missed longevity based on the information provided and sends corrections to Payroll accordingly. The University will reimburse the state on behalf of the employee — \$60.00*

## Missing Emolument Forms

### Finding

We identified two instances where employee files were missing documents that supported emolument payments. In both instances, the records were erroneously destroyed per the University's records retention schedule.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require the documentation to be made available during a post-payment audit, a pre-payment audit or at any other time. See [Texas Payroll/Personnel Resource](#).

We provided the University with the schedule during fieldwork. It is not included with this report due to confidentiality issues.

### Recommendation/Requirement

We recommend that the University enhance its internal controls to ensure that it maintains the proper documents required to support employee payroll payments.

### University Response

*The University agrees with the above findings and recommendations. The University has implemented an annual reporting/verification to support employee payroll supplemental payments before each fiscal year begins. In August of each year, the University will send out a report of all current allowances that will continue into the new fiscal year. This will act as a reauthorization for the upcoming fiscal year. This will keep authorizations for all allowances, regardless of when they were started, up to date. New allowances will continue to require an allowance form to be submitted before it is entered in the payroll system.*

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## DETAILED FINDINGS — PURCHASE

### Missing / Insufficient Documentation

#### Finding

We identified six transactions with documentation that was either missing or insufficient to support the payment. For these transactions, the original purchase documentation — for which the reimbursement was requested — was not provided. We could not determine whether the original purchase was an allowable expense that is eligible to be reimbursed with state funds.

Without proper documentation, we could not determine whether the information entered into USAS was an accurate reflection of the intended purchases. Proper documentation must be maintained to verify that the payments are valid as well as to maintain a proper audit trail.

As provided by 34 Texas Administrative Code, Section 5.51(c) (1) (D), it is the 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.”

#### Recommendation/Requirement

Supporting documentation for a purchase document must be made available in an audit to justify the validity of the payment. The University must ensure that it has adequate supporting documentation for all expenditures prior to processing the payment.

#### University Response

*The University agrees with the state’s findings and recommendation of ensuring adequate documentation to support all expenditures. The majority of the findings (5 of 6) were a result of procurement card transactions. The documentation for each transaction remains in the cardholder’s department and must be available for review by management. The procurement office will send out semiannual reminders to all cardholders to retain all pertinent supporting documentation. The sixth error is a reversal adjustment for an expense reimbursement. This is currently a manual process; however, it will be automated within the University’s ERP system. It is in final testing and should be operational by June 2015.*

## Duplicate Reimbursement

### Finding

We identified two purchase vouchers where expenses were paid from local funds originally, then reimbursed back to the University twice with state funds. Two vouchers were submitted claiming the same expenses on each voucher and using the exact same receipts.

The University stated that the duplicate amounts were reimbursed due to oversight. The vendor did not receive two payments.

### Recommendation/Requirement

The University's accounting staff should ensure that payments that are processed for reimbursements are reconciled in an effort to prevent duplicate reimbursement of expenses from state funds.

The University should reimburse the State Treasury for the duplicate amount.

### University Response

*The University agrees with the state's findings and recommendation to prevent duplicate reimbursements from state funds. The University is modifying the ERP system to automate the process of requesting and receiving state expense reimbursements. The automation of this process will aid in reconciliation and prevent duplicate requests. This automated process will be operational by June 2015. The University has reimbursed the State Treasury for the duplicate reimbursement of \$53.52.*

## Missing Statutory Authority for Purchase

### Finding

During audit fieldwork, we identified 21 payment transactions where the University did not have the legal authority for the purchases made.

The transactions were used to purchase drinks (water, condiments and coffee), food and a holiday party, which included bartenders. The University conducted research on all purchases and, as a result, the University agrees that these expenses should not be paid with state funds.

The University stated that the policy and regulations for the purchase of water and food with state funds had been communicated to the departments; however, an oversight was made on these purchases. The University could not state any statutory authority for the items.

The Attorney General has said that the Texas constitution prohibits a state agency from purchasing food, coffee, cream, sugar and similar items with state-appropriated funds that the employees of or visitors to the state agency would consume. For more information, see the [Opinion of the Texas Attorney General No. C-557 \(1965\)](#).

According to [eXpendit – Statutory Authority for Purchases](#), a state agency may purchase a good or service only if the agency has specific or implied statutory authority for the purchase. A state agency has implied statutory authority to purchase a good or service only if it is necessary for the agency to fulfill its specific statutory duties.

The University has reimbursed the State Treasury for these expenses.

### Recommendation/Requirement

The University must determine whether it has statutory authority for claiming reimbursement for each of these expenditures from appropriated funds. If the University determines it does not have statutory authority for any of the expenditures, it must reimburse the State Treasury for those amounts.

### University Response

*The University agrees with the state's finding and recommendation. Twenty of the twenty-two transactions involved a procurement card. The involved department of the twenty transactions had defaulted a state cost center within the procurement card program. These erred expenses were not allocated timely, the charges were charged to the state cost center and a reimbursement was requested from the State Treasury. Subsequently, the majority of erred charges were moved to a local cost center, thus, a repayment back to the State occurred. Since the audit, the default cost centers have been changed to a local, institutional based cost center. The Procurement office is manually reviewing 100 percent of all state-funded purchases made with a University procurement card.*

*Universitywide communications were sent out detailing the acceptable and non-acceptable uses of state funds. Communications will be sent out semi-annually to all cardholders related to this information. The State has been reimbursed for expenditures in this finding.*

## Missing Authorization from Agency Head

### Finding

The University paid for a membership to a professional association without the required authorization from the agency head or his designee.

A state agency may not use appropriated money to pay for membership in or dues for a professional organization unless the administrative head of the agency, or that person's designee, first reviews and approves the expenditure. See Texas Government Code, Section 2113.104.

The University intended to use locally held, unappropriated funds to make these purchases.

### Recommendation/Requirement

The University must strengthen its procedures to ensure that the use of appropriated money for payments of memberships in or dues for a professional organization follow a required approval process prior to payment.

### University Response

*The University agrees with the state's findings and recommendation to strengthen our procedures related to membership approval. This transaction for \$37 was paid with the University procurement card as a requirement to register for a conference online. The University Procurement Office will review all procurement card purchases related to all State cost centers that involve conference registrations and memberships. The president's or his designee's approval will be required before procurement.*

## Improper Payment of State Sales Taxes

### Finding

We identified 11 purchase transactions in which the University paid state sales taxes.

These charges are not payable with state funds. The purchase, lease or rental of a taxable item to an exempt organization is exempt from tax when the organization or an authorized agent pays for the taxable item and provides the vendor with an exemption certificate in lieu of tax. See 34 Texas Administrative Code, Section 3.322(f) (2).

The University intended to use locally held, unappropriated funds to make these purchases.

### Recommendation/Requirement

The University must ensure that it thoroughly reviews invoices to ensure that they are correct and do not include taxes. The University must ensure that all expenses are thoroughly reviewed for legality and accuracy prior to payment.

### UTD's Response

*The University agrees with the state's findings and recommendation to ensure no purchases include Texas sales tax. All of the reported findings were procured with the University procurement card. Procedures related to using the University procurement card will be updated to include the Sales and Use Tax Exemption form. Information will also be sent out semi-annually from the Procurement Card office reminding cardholders that transactions with Texas vendors must be tax exempt or the sales transaction may not occur. All improperly paid sales taxes related to the audit findings have been reimbursed back to the State Treasury — \$169.79.*

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## DETAILED FINDINGS — PURCHASE AND TRAVEL

### Gratuities Not Payable

#### Finding

We identified two travel transactions and six purchase transactions requesting reimbursement to the University's locally held unappropriated funds that included gratuities. The University indicated that the gratuities were not identified as errors since the original vouchers were paid from local funds where gratuities are allowable.

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.

#### Recommendation/Requirement

The University must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy prior to requesting reimbursement from state funds. The University must enhance its process to reduce the risk of reimbursing its locally held unappropriated funds for prohibited expenses with state appropriated funds.

#### University Response

*The University agrees with the state's findings and recommendation related to enhancing the process to reduce the risk of reimbursing its locally held unappropriated funds for prohibited expenses (gratuities) with state appropriated funds. The University will upgrade its process to verify no reimbursements contain gratuities at the journal level. All journals must be reviewed by several employees including management and will verify the validity of expense on state cost centers. Information will be sent out semi-annually from the Procurement office reminding employees gratuities are not allowed to be paid from state appropriated cost centers. The University does allow gratuities to be paid with local cost centers, yet they are unallowed on State cost centers. This information will be added to the procedures and education of all employees involved. The University has reimbursed all gratuities (travel and purchase) for \$127.58.*