

Fiscal Management Division  
Expenditure Audit Section  
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Audit Report # 711-14-01  
September 16, 2015

# Post-Payment Audit of Texas A&M University



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of Texas A&M University (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 receives appendices with its full report that includes 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 the attached 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 Texas Comptroller of Public Accounts (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:

- Overpayment of hazardous duty pay.
- Overpayment of longevity pay.
- Overpayment of emoluments.
- Underpayment of longevity pay.
- Incomplete HRIS reporting.

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:

- Discount not taken.

## Travel transactions

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

- No issues were identified.

## Grant transactions

Grant transactions were audited for compliance with the GAA, [eXpendit](#) and other pertinent statutes. The review of these payments did not include an investigation of the University's procedures for awarding grants; therefore, we are not offering an opinion on those procedures.

- No issues were identified.

## Fixed assets

The audit included a limited number of fixed assets acquired by the University during the audit period. Their physical existence and use for state business was verified.

- The University reported 14 stolen assets with a net book value of \$5,755.12. All assets reported as stolen were supported by a police report. An additional 239 assets were reported as missing. These assets had a book value of \$1,502.01.

## 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:

- One form that was out-of-date and did not include the international payment verification section.

## Security

The audit included a security review that entailed identifying 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 remained listed on the University's voucher signature cards after the employee's termination.

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

A prior post-payment audit of the University's payroll, purchase and travel transactions was concluded on Aug. 6, 2010.

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

- Incorrect state effective service dates resulting in incorrect longevity pay.
- An employee who retained the ability to expend funds after termination.

## Other auditor observation

During the audit period, the University was assessed a penalty in the amount of \$8,463.49 by the Internal Revenue Service (IRS) as a result of two late deposits of payroll taxes.

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## DETAILED FINDINGS — PAYROLL

### Incorrect Longevity/Hazardous Duty Payment Amount

#### Finding

We identified seven of 50 employee files where the University incorrectly calculated the total months of state service, resulting in incorrect payments of longevity pay and hazardous duty pay.

Total months of state service credit for hazardous duty pay were incorrectly calculated for four employees. The errors resulted in two instances of overpayment of hazardous duty pay totalling \$2,455.00. The University could not explain the difference in the state service credit.

In addition, total months of state service credit for longevity pay were also incorrectly calculated for three employees. The errors resulted in an overpayment of longevity pay to one employee of \$40.00, some of which was outside the audit period. The errors also resulted in an underpayment of longevity pay to two employees of \$2,494.57, some of which was outside the audit period. The University could not explain the difference in the state service credit.

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

During fieldwork, the University compensated the two employees who were underpaid. In addition, the University corrected the employees' months of service in its internal payroll/personnel system during fieldwork to ensure future longevity/hazardous duty payments are correct.

We provided the University with the schedules and calculations of the incorrect payment amounts. They are not included with this report due to confidentiality issues.

#### Recommendation/Requirement

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

In addition, the University should verify all personnel files and ensure that prior state service is properly verified and documented for its employees. The University should consider recovering the overpayments made to employees in accordance with Chapter 666, Texas Government Code.

## University Response

*Management has reviewed our current processes and determined the process is working given the accuracy rate as calculated by the State Auditor's Office of 99.9983 percent.*

*Texas A&M University talked with Melissa Buentello in HRIS at the suggestion of the auditors in hopes that there was a report that would provide information that could reconcile HRIS records with Texas A&M University payroll records. Ms. Buentello confirmed that there was not a report that would provide this information. In the absence of a report, TAMU management has requested selected payroll staff be given inquiry access to HRIS in order to verify and validate new employee months of state service.*

## Overpayment of Emolument Amount

### Finding

The audit revealed that the University paid one employee more than the amount authorized on the emolument form. The employee was authorized to receive payments of \$60.00 per month. However, the payroll system automatically paid the employee \$100.00 per month over a 12-month period. The employee was overpaid a total of \$480.00.

The University could not explain why the overpayment occurred. As a result of this audit, the University reimbursed the State Treasury for the overpayment amount and made changes to the employee's monthly emolument payment.

We provided the University with the schedule of the incorrect payment. The schedule is not included with this report due to confidentiality issues.

### Recommendation/Requirement

We recommend the University enhance its review process to ensure payments are accurate.

### University Response

*The overpayment was a result of a clerical data entry error within the payroll office. Payroll Services management has reviewed internal procedures regarding processing of emolument payments and emphasized the importance of accuracy with appropriate staff.*

## Incomplete HRIS Reporting

### Finding

The University posts financial transactions to both HRIS and USAS, however, during our review and comparison of both databases, we were unable to reconcile the differences. According to the University, the discrepancies were due to longevity not being reported in HRIS.

During our research, we determined that the University reported incomplete longevity information to HRIS. In addition, some of the longevity may not have been reported to HRIS with the appropriate combination of entitlement code and object code.

The fact that the University has not reported complete payroll information, including longevity payments, to HRIS made it impossible to validate the supporting documentation for the reimbursement payrolls that were submitted and paid during the audit period.

The Comptroller's office collects and maintains payroll and personnel information on all state employees. The information is used to report statistics to various legislative and oversight bodies, media and the general public. Institutions of higher education must report personnel and payroll events to HRIS as outlined in 34 Texas Administration Code, Section 5.41(h)-(i). If the Comptroller's office detects an error in a state agency's report of personnel or payroll information, then the Comptroller's office shall provide a description of the error to the agency. The agency shall then correct the error according to the requirements of the Comptroller's office.

### Recommendation/Requirement

The University must ensure that all payroll and personnel financial transactions are reported to HRIS in a timely manner. The report to HRIS must be made in the manner, frequency and form required by the Comptroller's office.

### University Response

*The Texas A&M University System maintains and supports the centralized payroll process, as well as the centralized financial process for all institutions within the Texas A&M University System. The audit identified that the State centralized HRIS system and the State centralized USAS system had differences in payroll data reported by the TAMUS centralized payroll system.*

*This has been a consistent audit finding with other post-payment audits from institutions of the Texas A&M University System. Management has identified the problem that results in the variances between the USAS and HRIS statewide systems. The problem is that the TAMUS centralized payroll system provides information to HRIS using the State Comptroller's object code as gross payment and a different Comptroller object class code to the USAS statewide system. The Texas A&M University System payroll system has been updated to send the same Comptroller object code information to HRIS and USAS systems. Effective July 24, 2015.*

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## DETAILED FINDINGS — PURCHASE

### Discount Not Taken

#### Finding

The University did not take advantage of the discounts offered by the vendor on two transactions in the sample. The invoices were received with ample time to process the payment and take advantage of the discounts. We calculated an estimated cost comparison of the vendor discounts versus keeping the funds in the State Treasury for the full 30-day scheduling period. According to the results, the benefit from the vendor discount exceeded the 30-day State Treasury benefit. The University stated that it was not aware of the discounts.

Texas Government Code, Section 2251.030(d) states: “A state agency, when paying for the goods or service purchased under an agreement that includes a prompt or early payment discount, shall submit the necessary payment documents or information to the comptroller sufficiently in advance of the prompt or early payment deadline to allow the comptroller or the agency to pay the vendor in time to obtain the discount.” When a prompt payment discount is available, it is the University’s responsibility to determine whether scheduling the payment or taking the discount is the greatest benefit for the state. In these cases, the discounts would yield a greater benefit than scheduling the payments.

#### Recommendation/Requirement

The University should review all invoices upon receipt to determine if they include a discount. The University should compare the cost/benefits of early payment versus scheduling payments prior to processing the payment. If the University determines that the discount is most beneficial to the state, it should process the invoice promptly through the University’s payment process. If the discount is not beneficial to the state, the University should schedule the payment in accordance with Texas Government Code, Section 2155.382(d).

#### University Response

*Management has reviewed our current processes and determined the process is working given the accuracy rate as calculated by the State Auditor’s Office of 99.9994 percent. Management continues to negotiate with our vendors for discounts, when those discounts are determined to be in the best interest of the university and the state of Texas. The Accounts Payable department has reminded all university colleges, divisions and departments of the importance of submitting their invoices to the Accounts Payable department timely so the university can take advantage of discounts as appropriate. Effective Aug. 1, 2015.*

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## DETAILED FINDINGS — EXPENDITURE APPROVALS

### Employee Retained Ability to Expend Funds After Termination/ Authority Expired

#### Finding

During the audit period, the University did not notify the Comptroller's office in a timely manner about the termination of one employee designated by the University to approve its expenditures. The employee remained listed on the University's voucher signature cards for 214 days after the employee's termination. This means that the former employee could have approved paper vouchers submitted to the Comptroller's office during that time. Any payment produced by a paper voucher that was approved by the employee's expired authority would have constituted an unapproved expenditure. We queried our payment system and found that no payments were processed by the employee after termination or authority expired. According to the University, the employee remained on the signature card due to oversight.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. See 34 Texas Administrative Code, Section 5.61(k). Any officer or employee may send the Comptroller's office that notification. See Section 5.61(k)(3)(B). Additionally, Section 5.61(k) does not specify how the Comptroller's office is to be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings as long as the writings indicate that a designated employee has terminated employment and the notification specifies the effective date of the employee's termination.

For an employee whose authority to approve an agency's expenditures is revoked for any reason, the employee's USAS 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).

#### Recommendation/Requirement

The University must ensure compliance with the preceding requirements. The University must also ensure that the person responsible for sending these notifications to the Comptroller's office is aware of the designated employee's termination on or before the date the termination becomes effective and follow through with the Comptroller's office to ensure the receipt of the notification and that the revocation occurred.

#### University Response

*The employee in question was on the signature card, but did not have access to any of the USAS modules. Management has determined that unless there is a business need for access to USAS, employees have no reason to be included on the signature card. The Access and Security Group will review daily reports of terminations and job changes. Any applicable access or authority will be immediately revoked on the date of termination and/or job change. Notification will be sent to the State on the same day. Effective Aug. 1, 2015.*