

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
Auditor: Raymond McClintock

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Post-Payment Audit of Texas A&M University – San Antonio



Glenn Hegar
Texas Comptroller of Public Accounts

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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas A&M University – San Antonio (University) payroll transactions and all purchase transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning March 1, 2014, through Feb. 28, 2015, 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 it 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 University was also audited for compliance with Human Resource Information System (HRIS) reporting requirements.

The audit identified:

- Incorrect longevity payment amount.
- Invalid payment of longevity pay.

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.

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 review identified:

- Two terminated employees who were not removed from the voucher signature cards within five days of the effective date of termination.

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 review identified:

- Two employees who could adjust payment instructions in the Texas Identification Number System (TINS) and approve paper vouchers without oversight in USAS.
- Confidential Treatment of Information Acknowledgement (CTIA) forms that were missing for five employees.

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. 30, 2011.

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

- Employees retaining ability to expend funds after termination.
- Control weakness over expenditure processing.

Contact:

Raymond McClintock
512-463-4859

Contributing Auditor:

Jesse Cantú, CPA, CTP

DETAILED FINDINGS — PAYROLL

Incorrect Longevity Payment Amount

Finding

In our audit of payroll transactions, we identified three employees with an incorrect number of months of state service in the University's internal payroll/personnel system. These errors resulted in two employees being underpaid \$80.00 and \$540.00, respectively, and one employee being overpaid \$360.00.

The University incorrectly calculated the employees' prior state service periods resulting in an incorrect number of months of state service. The proper calculation of the effective service date is derived by subtracting the 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 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 service data for its employees and enhance its internal controls to prevent incorrect longevity payment amounts.

The University must compensate the employees for the underpaid amounts.

In addition, the University should consider recovering the overpaid amount in accordance with the Texas Government Code, Chapter 666, unless it determines it is not cost effective to do so.

University Response

In these three cases, the prior state service was input incorrectly into the Texas A&M University System Payroll/HR system prior to A&M – San Antonio existing as a separate institution. In the three cases, Payroll Services will correct the months of service in the Payroll/HR system and will refund and/or collect the owed longevity pay.

HR will continue to be vigilant in regards to verifying prior state service. Since length of state service is fed to the state of Texas from various state agencies and institutions of higher education, it would be beneficial to receive a report similar to what was used in the audit detailing the months of service on record with the state of Texas which could be verified against the university's records. This seems to be a regular comment for most state agencies throughout the state. Until the agencies are provided with the same tools for verifying prior state service as the auditors have, this will continue to be an issue on most audit reports.

Comptroller Response

The University may request reports from the Comptroller's office that would enable the University to verify and update the information in its systems. However, it remains the responsibility of the University to maintain and update accurate prior state service information.

Longevity Pay Paid to Ineligible Employee

Finding

In our audit of payroll transactions, we identified one employee who was paid for longevity for which he was not eligible. The employee retired under an optional retirement program from another higher education institution on Aug. 23, 2008, and returned to state employment at the University on Sept. 1, 2008. During the employee's service at the University, the employee was incorrectly paid \$22,280.00 from Sept. 1, 2008, through June 30, 2015. The University stated that in this specific circumstance, it thought the employee was entitled to the longevity payment.

Texas Government Code, Section 659.042(7), excludes from longevity pay a state employee who retired from state employment on or after June 1, 2005, and who receives an annuity based wholly or partly on service as a state officer or state employee in a public retirement system, as defined by Section 802.001, that was credited to the state employee.

According to Texas Government Code, Section 801.001(2), "Public retirement system" means a continuing, organized program of service retirement, disability retirement or death benefits for officers or employees of the state or a political subdivision, or of an agency or instrumentality of the state or a political subdivision.

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

Recommendation/Requirement

The University should enhance its internal controls to prevent making longevity payments to return-to-work employees who retired after June 1, 2005.

The University should consider recovering the amount of overpayment in accordance with Chapter 666, Texas Government Code, unless it determines it is not cost effective to do so.

University Response

Texas A&M University – San Antonio does not believe that the Texas A&M University System Optional Retirement Plan (ORP) fits the definition of a “Public Retirement System” as defined in Texas Government Code, Section 801.001(2). The Texas A&M University System ORP is a defined contribution plan, where contributions by the employee, the employer match, and how the employee’s ORP investment portfolio with the selected vendor performs determines their retirement benefit. This is not “service retirement” there is no provision for disability retirement or associated death benefits with the Texas A&M University System ORP Plan. Furthermore, Texas A&M University – San Antonio interpreted and applied the Texas A&M University System policy 31.01.04 Longevity and Hazardous Duty Pay as written. Section 1.2 of this policy states that an employee who retired from state employment on or after June 1, 2005, and receives an annuity based wholly or partially on service as a state employee in a public retirement system that was credited to the employee is not eligible for longevity pay. It is followed with, “This does not include employees who participated in the Optional Retirement Program.” Therefore, we believe we accurately applied Texas A&M University System Policy 31.01.04 correctly in this case. Despite the University’s position that the payment in question was authorized by the Government Code, Texas A&M System will change their practice going forward to conform to the Comptroller’s interpretation with respect to ORP retirees.

Comptroller Response

The Comptroller’s policy regarding longevity eligibility for return-to-work retirees, including those who retired under an Optional Retirement System, is based on a statement of legislative intent that Senator Steve Ogden, Chairman, Senate Finance Committee and Representative Jim Pitts, Chairman, House Committee on Appropriations, provided to the Comptroller’s office on April 4, 2006.

The Comptroller’s office requested the Legislature’s guidance on the question of optional retirements while developing guidance on implementing changes resulting from Senate Bill 1863, 79th Legislature, Regular Session. The response advised that SB 1863, Section 13, references a definition in statute for public retirement systems that may exclude the optional retirement program. The letter further explained that legislative intent was that a return-to-work retiree who retired from the optional retirement program should be treated the same as a retiree who retired from the Teacher Retirement System or the Employees Retirement System.

DETAILED FINDINGS — EXPENDITURE APPROVALS

Employees Retaining Ability to Expend Funds After Termination

Finding

During the audit period, the University did not notify the Comptroller's office about the termination of two employees designated by the University to approve its expenditures.

The employees remained listed on the University's voucher signature cards for 216 and 83 days respectively after the employees' terminations. The University is required to notify the Comptroller's office within five days after termination. The University never notified the Comptroller's office. This means the former employees could have approved vouchers submitted to the Comptroller's office on paper during that time. Any payment produced by a paper voucher that was approved by either of the terminated employees would have constituted an unapproved expenditure. The Comptroller's office verified that no paper vouchers were processed from these two employees after the termination dates.

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 Administration Code, Section 5.61. Any officer or employee may send the Comptroller's office that notification. See Section 5.61(k)(3)(B). Additionally, Section 5.61 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.

Although access for these two employees was timely revoked from USAS, the security officer for USAS was unaware that the process also required sending notification to the Comptroller's office to remove the names from the signature cards on file.

Recommendation/Requirement

The University must ensure that the person responsible for sending termination notifications to the Comptroller's office:

- Is aware of the designated employee's termination on or before the termination becomes effective,
- Follows through with the Comptroller's office to ensure the receipt of the notification and checks to ensure that the revocation occurred.

University Response

Management agrees with the finding and is in the process of moving USAS security responsibilities from Student Business Services to the Comptroller's office to ensure USAS access is reviewed, granted and terminated as appropriate and that required documentation is completed.

Control Weakness Over Expenditure Processing & CTIA Forms Not Signed In a Timely Manner

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations the University placed on its accounting staff's abilities to process expenditures. We reviewed the University's security for USAS and TINS, as well as signature cards. 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.

During the audit period, the University had two employees who could adjust payment instructions in TINS and approve paper vouchers without oversight. It was the University's position that these employees did not carry a significant risk for fraud or financial loss due to the preventive security control implemented to be in compliance with [*USAS Accounting and Payment Control \(FPP B.005\)*](#).

The University's security coordinator for USAS was unaware of these conflicting roles. The role that allowed the employees' ability to adjust payment instructions in TINS was immediately removed when notified by the Comptroller's office.

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.

As a routine part of our security review, we evaluated the University's compliance with the requirement that all University users of the Comptroller systems complete a Confidential Treatment of Information Acknowledgment (CTIA) form. When a new user needs access to Comptroller systems, the University's security coordinator must first have the user read and sign the CTIA form. A reviewing official also signs the form, which the University's security coordinator keeps on file for as long as the user has access to the systems, plus five years. The University was unable to provide five original CTIA forms verifying the initial date signed. The forms were either inadvertently destroyed or lost, per a statement from the University. The University created new forms, having all appropriate employees sign them during our audit fieldwork.

Recommendation/Requirement

The University should continue to 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.

The University should enhance its procedures to ensure that no user gains access to the statewide financial systems without a timely and properly completed CTIA form while keeping the forms in a secured location.

University Response

This finding is related to security responsibilities on campus similar to the previous finding. Hence, we agree with the finding and are in the process of moving USAS security responsibilities from Student Business Services to the Comptroller's office to ensure USAS access is reviewed, granted and terminated as appropriate and that required documentation is completed.