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# Post-Payment Audit of Texas Tech University



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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Texas Tech University (University) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Human Resource Information System (HRIS) during the period beginning June 1, 2014, through May 31, 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 HRIS reporting requirements.

- No issues were identified.

## Purchase transactions

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

The audit identified:

- Freight not on purchase order.
- Discount not taken.
- Payment scheduling issues.

The University paid \$3,278.07 in prompt payment interest during the audit period.

## Travel transactions

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

The audit identified:

- Lack of conservation of state funds.
- Incorrect amount paid.
- Unauthorized expenditure of state funds.

## Travel card transactions

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

The audit identified:

- Unauthorized use of state-issued travel card.

## 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 review identified:

- Two employees who retained the ability to expend funds after termination.
- Four employees 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.

- No issues were identified.

## Fixed assets

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

- All assets tested were in their intended location.

## 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. 29, 2011.

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

- Missing statutory authority for payment.
- Employee retained ability to expend funds after termination.

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## DETAILED FINDINGS — PURCHASE

### Freight Not on Purchase Order

#### Finding

We identified one purchase transaction where freight was paid even though it was not included on the purchase order (PO). The freight amount on the invoice included charges for shipping and handling. Unless specifically identified on the original PO, these charges should not be paid by the University.

A PO is an agreement entered into by the state and the vendor. The University may pay only the contracted amount as shown on the PO. If freight charges are not on the PO, then the charges are not owed by the University and should not be paid.

The University has procedures in place to require freight terms be documented on each purchase requisition or purchase order, but this procedure was not followed in this case due to oversight.

#### Recommendation/Requirement

The University must ensure its procedures are followed. While a formal purchase document 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

*The Purchasing Office is required to review vendor quotations and institutional requisitions for compliance with operating policies and procedures. The Payment Services Office is required to review invoices for compliance with operating policies and procedures. As there was a single transaction in violation, the operating policies and procedures and Comptroller requirements will be reviewed with all staff by July 1, 2016. The University feels that this is an isolated incident and does not constitute an overall control weakness.*

## Discount Not Taken

### Finding

The University did not take advantage of a payment discount offered by a vendor. The invoice was received with sufficient time to process the payment and take advantage of the discount. According to the University, the reviewer did not notice the “2/10 Net 30” discount offer at the bottom of the invoice.

Texas Government Code, Section 2251.030(d) states: “A state agency, when paying for goods or services 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 this case, the discount would have yielded a greater benefit than scheduling the payment.

### Recommendation/Requirement

The University should discuss potential discounts with its vendors at the time of negotiating its agreements so the University can plan to ensure discounts are taken when advantageous to the state.

The University should compare the cost/benefit of early payments versus scheduling payments. If the University determines that the discount is more 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 all payments greater than \$5,000 for the latest possible distribution.

### University Response

*Procurement Services will continue to educate University departments on the responsibilities in reviewing invoices and receiving goods and/or services. In addition, a review training will be conducted with Payment Services Office staff to recognize prompt payment discounts and the requirements for evaluating the benefit to the University by July 1, 2016.*

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## DETAILED FINDINGS — TRAVEL

### Lack of Conservation of State Funds

#### Finding

We identified three instances where the University used a local travel agency that charged a processing fee of \$30.00 for airfare purchased. Although the University is not required to use the state's contracted travel agency, the University could conserve state funds by doing so. The state contract travel agencies assess a processing fee that is substantially more cost effective.

We also identified one transaction where the traveler did not use the available state-contracted vendors to rent a vehicle. This resulted in an overpayment of rental fees. The University could not provide an explanation as to why the traveler did not use a state-contracted vendor.

There was also one instance where the University reimbursed a traveler for mileage while operating a personally owned vehicle to conduct official business. However, based on applicable car rental rates, related tax, cost of gas and the standard mileage rates in effect at the time of travel, we determined that it was more cost effective for the state if the traveler used a rental vehicle instead of a personally owned vehicle. The University stated that it would implement the necessary procedures to address this issue.

According to Texas Government Code, Section 660.007(a), 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 each travel arrangement is the most cost-effective considering all relevant circumstances.

#### University Response

*Travel expenses are being thoroughly reviewed to ensure compliance with operating policies and procedures and applicable Comptroller rules. Existing travel agency contracts are currently being evaluated to provide best value for the University and to conserve funds.*

*The University will evaluate the rental vehicle transaction and the personal vehicle policy and review the requirements with Travel Services Office staff by July 1, 2016. The University has created training guidelines to provide contract information to University travelers.*

## Incorrect Amount Paid

### Finding

We identified one travel voucher where the University reimbursed an employee for a greater amount of local hotel taxes than was reimbursable for the locality. The lodging rate at the hotel where the employee stayed was greater than the allowable state rate. The University correctly reduced the lodging rate for the locality to match the GSA published rate but failed to recalculate the corresponding hotel tax; it reimbursed the employee the hotel tax amount that was in excess of the allowable rate. The University stated that this was an oversight.

The reimbursement may not exceed the Comptroller's maximum reimbursement rate for the employee's duty point. See [Texttravel – Meals and Lodging](#).

### Recommendation/Requirement

We recommend that the University continue to 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 amount unless it determines it is not cost effective to do so.

### University Response

*Travel expenses are being thoroughly reviewed to ensure compliance with operating policies and procedures and applicable Comptroller rules.*

*As stated in the finding, this was an oversight. The University will evaluate the transaction and review the requirements with Travel Services Office staff by July 1, 2016.*

## Unauthorized Expenditure of State Funds

### Finding

We identified one travel transaction where the University expended funds without specific statutory authority. The University paid the travel expenses for a non-employee. According to the University, a prospective graduate student who considered attending the Plant and Soil Science Program was reimbursed for incurred travel expenses.

Institutions of higher education cannot use appropriated funds to pay student travel expenses unless there are specific provisions in state law that allow it to do so. The University could not provide specific statutory authority to pay the travel expenses for the student.

Texas Government Code, Chapter 660 (Travel Expenses) and the GAA both detail the use of appropriated money for state travel. Chapter 660 limits the use of state money for travel expenses that “clearly involves official state business” and to individuals that are “state employees.” See Texas Government Code, Sections 660.002 and 660.003. As a general rule, and with limited exceptions, state appropriations used for travel expenses are limited to state employees. Payments from appropriated funds are subject to the provisions of Texas Government Code, Chapter 660.

### Recommendation/Requirement

The University must research any future travel expense to ensure that proper statutory authority exists before expending funds. The University must seek a reimbursement of the amount improperly paid unless it determines it is not cost effective to do so.

### University Response

*Travel expenses are being thoroughly reviewed to ensure compliance with operating policies and procedures and applicable Comptroller rules.*

*The University will review the requirements with Travel Services Office staff and provide additional training information to University staff preparing travel vouchers by July 1, 2016.*

## Unauthorized Use of State-issued Travel Card

### Finding

During our review of state-issued travel card expenses, we identified five instances where University employees used state-issued travel cards 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 indicated that all state-issued travel card transactions are paid by the employees and only appropriate expenses are reimbursed to the employees with institutional funds.

Because of the audit, the University stated it will conduct a thorough review of all future travel card transactions and take the necessary corrective action. The University will also revise its monitoring process to ensure state-issued travel cards are not used for any personal transactions in the future.

### Recommendation/Requirement

The University must ensure that all state-issued travel card transactions are properly reviewed, and that the University travel cards are used in accordance with 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 must offer periodic training to its credit card holders on the proper use of state-issued credit cards.

In accordance with 34 Texas Administrative Code, Section 20.308(c)(2) 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 misuses the credit card in any other way.

### University Response

*The University will make best efforts to ensure that cardholders are aware of the restrictions when using state-issued personal liability travel cards. The University makes a diligent effort to review personal travel charges for non-compliant transactions.*

*The following language is included in TTU Operating Policy 79.03:*

*The state travel card may be used only for official state business-related travel charges, such as airfare, rental cars, lodging, and meals. It is not for personal use. Use of the card for charges other than official state business travel is a direct violation of the state's contract with CitiBank and the STMP (Texas Administrative Code, Title 34, Part 1, Chapter 5, Subchapter C, Section 5.22) and, therefore, is a misapplication of the state-issued card. Misuse of the card may result in disciplinary action up to and including termination.*

*The Travel Services Office provides training information to University travelers on the operating policy requirements for personal liability travel cards. The Travel Services Office will provide a policy reminder to personal liability cardholders by July 1, 2016.*

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## DETAILED FINDINGS – PAYMENT SCHEDULING

### Early Payment

#### Finding

Texas Government Code, Section 2155.382(d) authorizes the Comptroller's office to allow or require state agencies to schedule payments the Comptroller's office makes 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 must require advance scheduling of payments when it is advantageous to the state.

Out of 120 purchase transactions reviewed, we identified ten transactions that the University paid early, resulting in interest loss to the State Treasury. The University stated it was aware that invoices greater than \$5,000 must be scheduled, and that these transactions were paid early due to an oversight.

#### Recommendation/Requirement

To minimize the loss of earned interest to the State Treasury, the University must schedule all payments on invoices that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in eXpendit [Prompt Payment](#) and [Payment Scheduling](#). The University can pay according to the terms on the invoice only if those terms are included in the purchase agreement.

#### University Response

*The University will review the requirements and provide training to Payment Services Office staff by July 1, 2016. In addition, the University will require annual training on prompt payment policies for Payment Services Office staff. The Payment Services Office will review invoices with the terms included on purchasing agreements and properly schedule payments in accordance with Comptroller rules.*

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## DETAILED FINDINGS – EXPENDITURE APPROVALS

### Employees Retained Ability to Expend Funds After Termination

#### Finding

During the audit period, the University failed to notify the Comptroller's office about the termination of two employees who had been designated by the University to approve its expenditures. The employees remained listed on the University's voucher signature cards for 510 and 178 days, respectively, after their authority expired. This means that the former employees could have approved paper vouchers submitted to the Comptroller's office during that time. Any payment produced by a paper voucher approved by a terminated employee would have constituted an unapproved expenditure. We researched our archived files and determined no unapproved documents were processed during the audit period. According to the University, the employees remained on the signature cards and retained USAS security 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. 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.

#### Recommendation/Requirement

The University must ensure compliance with the preceding requirements, 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 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

*Security coordinators responsible for these notifications have taken a number of steps to ensure future compliance:*

- Security Coordinator periodically reminds authorized employees' supervisors of the importance of immediate notifications of employee terminations to the Security Coordinator. In addition, the Security Coordinator receives a daily report of all personnel actions occurring for these employees, as a backup method of notification.*
- A functional Inbox monitored by multiple employees, including the primary & secondary Security Coordinators, has been established to help ensure no delays in receiving communication of authorized employee terminations. A detailed log of all requests and actions related to access & authority to expend funds in the state system is now being kept.*
- Security Coordinator is now sending an email notification to the Comptroller's office requesting removal of voucher signature card authority, rather than a hard copy. This ensures timely removal, and quicker confirmation of the action.*

## 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 four employees' 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 for three employees and one was sent late. This permitted the employees to approve any vouchers the University submitted electronically to the Comptroller's office through USAS for 15, 330, 91 and 380 days, respectively, after authority expired. Because of the audit, security for all four employees was removed. We queried our payment system and found that no payments were processed by the employees after 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).

The University has procedures to notify the security coordinator of personnel actions. However, in this instance, the request to remove the employee's security was not submitted. The University stated that this was due to an oversight.

### Recommendation/Requirement

The University must ensure compliance with the preceding requirements. It must also ensure that the person responsible for sending the termination notifications to the Comptroller's office:

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

## University Response

*Security coordinators responsible for these notifications have taken a number of steps to ensure future compliance:*

- Security Coordinator periodically reminds authorized employees' supervisors of the importance of immediate notifications of employee department transfers or changes in authority to the Security Coordinator. In addition, the Security Coordinator receives a daily report of all personnel actions occurring for these employees, as a backup method of notification.*
- A functional inbox monitored by multiple employees, including the primary & secondary Security Coordinators, has been established to help ensure no delays in receiving communication of authorized employee changes. A detailed log of all requests and actions related to access & authority to expend funds in the state system is now being kept.*