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Expenditure Audit Section  
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# Post-Payment Audit of Texas A&M International University



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# Table of Contents

## Executive Summary

Audit scope .....	i
Payroll transactions and payroll deductions .....	i
Purchase transactions .....	i
Travel transactions .....	ii
Internal control structure .....	ii
Direct deposit authorization .....	ii
Fixed assets .....	ii
Prior post-payment audit and current audit recurring findings .....	iii

## Detailed Findings — Payroll

Incorrect Longevity/Hazardous Duty Payment Amounts .....	1
--	---

## Detailed Findings — Purchase

Unauthorized Payments for Electric Utility .....	2
Payment in Excess of Purchase Order .....	3

## Detailed Findings — Direct Deposit Authorization

Direct Deposit Authorization Forms Outdated .....	4
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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas A&M International University (University) payroll, purchase and travel 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/hazardous duty 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](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Unauthorized payments for electric utility.
- Payment in excess of purchase order.

### Travel transactions

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

- No issues were identified.

### Internal control structure

As a routine part of our security review, we reviewed the University's compliance with the requirement that all agency users of the Comptroller's statewide financial systems complete a confidential treatment of information acknowledgement (CTIA) form.

The review identified:

- One University employee who signed the forms almost nine years after their earliest connection date to the systems. According to the University, as a result of the previous audit and the current audit, it had requested that all employees sign a new form. This action resulted in the loss of the required historical data.

For employees and contractors who require access to the Comptroller's statewide financial systems, the agency's security coordinators must have a signed CTIA form from every user on file at their agency prior to granting access to the systems. A reviewing official must sign the agreement, which the agency's security coordinator keeps on file for as long as the user has access to the systems — plus five years.

### Direct deposit authorization

A review was conducted of the University's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally.

The review identified:

- Nine transactions in which the University used outdated versions of the direct deposit setup form. These forms did not adhere to the National Automated Clearing House Association (NACHA) rules requiring the identification of a direct payment if it is an international transaction.

### Fixed assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the University's internal system. Eleven assets were selected for review, from a spreadsheet provided by the University.

The review identified:

- One asset that had the correct description and the correct serial number on the tag, but had an incorrect asset number. According to the University, the asset tags are created on an Excel spreadsheet. During the manual input to the spreadsheet, the wrong asset number was encoded. The University made the correction promptly. No issues were found with the remaining 10 assets reviewed.

## EXECUTIVE SUMMARY

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- All assets were in their intended location and, with the exception of the asset mentioned above, properly tagged.

The University provided a list of 13 disposed assets. Eleven assets were missing and two assets were stolen. A police report was obtained for each stolen asset.

### **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 Jan. 26, 2012. During the current audit, no recurring findings were identified.

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## DETAILED FINDINGS — PAYROLL

### Incorrect Longevity/Hazardous Duty Payment Amounts

#### Finding

In our audit of payroll transactions, we identified four employees with incorrect effective service dates in the University's internal payroll/personnel system. This resulted in overpayments of longevity pay. The total overpayment amount for the four individuals was \$140.00. The University credited the employees for a full month of service when the employees were hired on a day other than the first workday of the month.

The position held by the Comptroller's office since the longevity pay statutes were first enacted in 1979 is that an individual who is a state employee for only part of a calendar month receives lifetime service credit only for the days the individual was a state employee, not for the entire month. See Texas Government Code, Sections 659.043(a)(3), 659.044(c).

One employee receiving hazardous duty pay had prior state service at the University in a longevity eligible position. The employee accrued 828 days of service that entitled the individual to \$20.00 per month of longevity pay. The total amount underpaid to the employee is \$640.00. The University failed to pay the longevity payments due to oversight.

This same employee's hazardous duty payments were overpaid in a total amount of \$20.00 because the employee was also credited with a full month of service for a partial month of work.

We provided the University with the schedule and calculations of the incorrect longevity payment and hazardous duty payment amounts during fieldwork. The schedule and calculations are not included with this report due to confidentiality issues.

#### Recommendation/Requirement

The University should consider recovering the overpayments made to employees in accordance with Texas Government Code, Chapter 666.

The University must compensate the employee who was underpaid longevity pay.

The University must enhance its procedures to ensure employees who do not start on the first workday of the month are not credited with a full month.

#### University Response

*The University recovered the overpayments and compensated the underpaid employee. The HR department is taking steps to more carefully review employee setups so employees starting after the first workday of the month are not credited a full month.*

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## DETAILED FINDINGS — PURCHASE

### Unauthorized Payments for Electric Utility

#### Finding

The University does not maintain a clear distinction between payments from local funds and payments from general revenue when paying for electric utilities. The University's payment process is to pay for all electrical services from the general revenue instead of breaking out the payments between general revenue and local funds based on usage or some other method. The University sets up budgets at the beginning of the year to pay for all utilities using general revenue only; when the funds from general revenue are exhausted, the University switches to local funds. The University is making upfront payments from general revenue for facilities that are used for intercollegiate activities, which is specifically prohibited.

The General Appropriations Act (GAA) for the current biennium, appropriation years 2014-2015, indicates that funds appropriated by the GAA may not be used for the operation of intercollegiate athletics. See also [eXpendit – Intercollegiate Athletics](#).

According to the University, it was not splitting each monthly invoice, but rather expending State Treasury funds first, followed by local funds towards the end of the year. Since by year's end the net effect is the same, it did not foresee this issue. The University budgets a larger than necessary amount to local funds to ensure that by the year's end, the State Treasury has not been overcharged.

#### Recommendation/Requirement

We recommend that the University determine the appropriate breakdown for each payment between general appropriations and local funds and make payments accordingly.

#### University Response

*The University never sought to use funds appropriated by the GAA for the operation of intercollegiate athletics and, as noted, erroneously believed the process in place was acceptable since the year-end net effect of not overcharging the Treasury was the same. Having heard otherwise, beginning in FY 2016, each electric invoice is now paid proportionally between State and local funds to correct this issue.*

## Payment in Excess of Purchase Order

### Finding

We identified one transaction where the University paid more than the authorized amount on the purchase order (PO). The University explained that the hazardous material charge was not provided on the quote, and upon receiving the invoice, Accounts Payable asked for and received approval to pay the amount.

A PO is a contract entered into between the University and the vendor. When the University enters into a contract for goods or services with the vendor, expenditures under the contract may not exceed the established limit. The University may amend a contract and pay additional amounts only if the vendor provides an additional benefit, i.e., consideration, to the University. Any amendments to the original agreement should be documented.

### Recommendation/Requirement

The University must properly review and compare the invoices to the contract to ensure that the payments do not exceed the amounts authorized in the PO. The University must document any amendments to the original contract.

### University Response

*The University's Accounts Payable (AP) department is diligent in not paying invoices which exceed the amounts authorized on a PO without receiving prior approval. In some cases, freight/delivery charges are only estimated on a quote with the actual amount varying only minimally, as in this \$23 overage for hazardous material handling. With this finding, they will now approve payment using State funds only for the amount of a PO, unless the vendor provides an additional benefit.*

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## DETAILED FINDINGS — DIRECT DEPOSIT AUTHORIZATION

### Direct Deposit Authorization Forms Outdated

#### Finding

We conducted a review of the University's procedures to comply with the federal mandate to properly identify and handle payments involving the movement of funds internationally. All of the 18 vendors selected and reviewed had outdated forms on file.

Without properly completed, up-to-date forms on file, the University was unable to provide appropriate answers required by the new form.

International ACH (Automated Clearing House) Transactions (IATs) are destined for a financial institution outside of the territory of the United States. Because of federal requirements mandated by the Office of Foreign Assets Control (OFAC), the National Automated Clearing House Association (NACHA) has adopted specific rules on the identification and processing of these types of direct deposit payments.

To avoid potential federal penalties, each state agency must:

- Show due diligence in the processing of all direct deposit payments.
- Do its best to ensure direct deposit payments it issues to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside of the U.S.

According to the University, it missed the update the Comptroller made and, therefore, did not update the University form. As a result of the audit, the form has been updated.

#### Recommendation/Requirement

The University must ensure that all payees that request payment by direct deposit provide the appropriate direct deposit authorization form, with the IAT question answered and the form signed.

#### University Response

*The University has updated the direct deposit authorization form and will train AP staff to ensure the form is kept updated and is properly completed by payees.*