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Statewide Fiscal Services Dept.  
Expenditure Audit Section  
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# Post-Payment Audit of the University of Texas Health Science Center at Houston



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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the University of Texas Health Science Center at Houston (Center) payroll and purchase 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 Center 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 Center should implement the recommendations listed in the Detailed Findings of this report. It is the Center'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 Center's documents comply in the future. The Center 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 Center was also audited for compliance with Human Resource Information System (HRIS) reporting requirements.

The audit identified:

- Reimbursement not payable.
- Incorrect longevity payment amount.

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.

- No issues were identified.

## Security

The audit included a security review to identify any of the Center'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.

- No issues were identified.

## Internal control structure

The Center's internal control structure was reviewed. The review was limited to obtaining an understanding of the Center'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 limited number of fixed assets acquired by the Center during the audit period. Their physical existence and use for state business was verified.

- No issues were identified.

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

A prior post-payment audit of the Center's payroll, purchase and travel transactions was concluded on Aug. 26, 2011.

During the current audit, the following recurring finding was identified:

- Incorrect longevity pay amount.

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## DETAILED FINDINGS — PAYROLL

### Reimbursement Not Payable

#### Finding

In our audit of payroll transactions, we identified one reimbursement processed in error. The reimbursement was for vacation payments to active employees. The expenditure reimbursement totaled \$1,363,381.21 and the Center did not have the statutory authority to process compensable absence payments in advance.

The Center stated that it currently applies a vacation assessment to every fund in which salary expense occurs. The vacation assessment is a fixed percentage of salary and is charged as an internal fee through the lump sum vacation service center. Lump sum vacation payouts upon termination are ultimately funded by the service center account. As this is considered a benefit expense, applied to all sources consistently, the Center sought to reimburse the amount charged to its state fund. The expenditure object code 7023 – Lump Sum Termination Payment was selected as it was deemed to be closely associated with the fee. As this was determined to be an inappropriate application of the code, the funds were returned to the State Treasury.

Vacation leave and other compensated absences are posted as accrued liabilities as the employee's vacation time is earned if the leave is attributable to past service credit.

The expenditure reimbursement does not meet necessary requirements for advance payments or prepaid items. A state agency may not pay for goods or services before their delivery to the agency, unless the advance payment is necessary and serves a proper public service. See [Advance Payments](#) which outlines specific exceptions to the prohibition. In addition, see [Prepaid Items](#) which addresses how an agency must record prepaid items in USAS.

We provided the Center with the schedule for the reimbursement not payable. It is not included in this report due to confidentiality issues.

#### Recommendation/Requirement

The Center must ensure that all reimbursements are reviewed properly for validity and accuracy and ensure it is in compliance with all applicable statutes and regulations. The Center should not process reimbursement payroll for compensable absence payments in advance. The Center may restrict a portion of their fund balance for any future vacation payouts.

**Center Response**

*The Center has implemented procedures to ensure reimbursements for compensable absence payments in advance do not occur.*

## Incorrect Longevity Payment Amount

### Finding

We identified one employee with incorrect months of service credit in the Center's internal payroll/personnel system. The employee did not receive state service credit for time worked at another agency. The employee was underpaid a total of \$700 in longevity pay of which \$300 was identified during the audit period. As a result of the audit, the Center reviewed and credited the employee for the underpaid longevity amount.

The Center's procedures include obtaining prior state service verifications whenever an employee indicates previous state employment. In this instance, the Center overlooked the employee's previous state employment.

When an agency hires an employee, the agency must research whether the employee has previous state employment. If prior state employment exists, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See [Texas Payroll/Personnel Resource — Longevity Pay](#).

We provided the Center with the schedule of the incorrect longevity payment amount. It is not included with this report due to confidentiality issues.

### Recommendation/Requirement

The Center must continue to review each employee's file for prior state service for all current and new employees to ensure that the prior state verifications are recorded properly.

### Center Response

*The Center will continue to review employees' files for prior state service. A prior state service file is now opened on all new employees identified as previously employee by the state, and remains so until employment is verified. The Center will schedule regular audits to review current employee records to ensure verifications are record properly.*