

Fiscal Management Division  
Statewide Fiscal Services Dept.  
Expenditure Audit Section  
Auditor: Derik Montique

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# Post-Payment Audit of Texas A&M Forest Service



Glenn Hegar  
Texas Comptroller of Public Accounts

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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas A&M Forest Service (Service) 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 March 1, 2015, through Feb. 29, 2016, to determine compliance with applicable state laws.

The Service receives appendices with the 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 this report. The Service should implement the recommendations listed in the Detailed Findings of this report. It is the Service'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 Service's documents comply in the future. The Service 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. Service was also audited for compliance with HRIS reporting requirements.

A limited sample of voluntary contributions was also audited.

The audit identified:

- Noncompliance with Rules Governing Merit Awards

### 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.

The Service paid \$473.55 in prompt payment interest during the audit period.

## Travel transactions

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

- No issues were identified.

## Grant transactions

A limited review of the Service's transactions relating to grants was conducted as part of our purchase sample. This review consisted of verifying that payments did not exceed authorized amounts. The review of these payments did not include an investigation of the Service's procedures for awarding the grants or monitoring payments made to the payees; therefore, no opinion is being offered on those procedures.

- No issues were identified.

## Payment Scheduling

Transactions were audited for compliance with the prompt payment law and scheduling rules.

The audit identified:

- Two payment scheduling errors.

## Third-Party transactions

The audit included a review of various ad hoc reports ran for the Service outside of the sample. One of the ad hoc reports is the Miscoded Transactions Report which lists potential incorrect Texas Identification Number (TIN) and/or T-code used on third party transactions in compliance with [Processing Third-Party Transactions for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FFP A.043\)](#).

The audit identified:

- Incorrect TIN used on payments to service departments.

## Security

The audit included a security review to identify any of the Service'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 Service's internal control structure was reviewed. The review was limited to obtaining an understanding of the Service's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Two employees with the ability to adjust payment instructions in Texas Identification Number System (TINS) and also approve vouchers.

## 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 Service's internal system.

- No issues were identified.

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

A prior post-payment audit of the Service's payroll, purchase and travel transactions was concluded on May 31, 2012.

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

- Interest loss to Treasury.
- Control weakness over expenditure processing.

### Contact:

Derik Montique  
512-305-9761

### Contributing Auditors:

Raymond McClintock  
Aleks Necak  
Mayra Castillo

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## DETAILED FINDINGS — PAYROLL

### Noncompliance with Rules Governing Merit Awards

#### Finding

During audit fieldwork, we identified a \$5,000 payroll transaction that represented the first of three annual payments of a \$15,000 non-base award where Texas A&M Forest Service did not comply with the Education Code Merit Salary Increases requirements.

The payroll transaction was used to pay for an employee's non-base award after winning the Texas A&M University System 2014-15 Regents Fellow Service Award.

The Service stated that when they processed the payment they viewed this award as a merit based award, which is authorized under Texas Education Code, Chapter 51, Section 51.962. As a result of the audit, the Service followed up with Texas A&M System staff and was advised to process the payment using institutional funds.

The Service initiated the appropriate corrective action to change the funding source on the Feb. payment from appropriated funds to non-appropriated funds. Documentation was provided to show the correction had been processed.

The Education Code, Chapter 51, Subchapter A, Section 51.962, indicates that an institution of higher education as defined by Section 61.003 may grant merit salary increases, including one-time merit payments. Therefore, making the award in three separate \$5,000 annual installments to the employee does not constitute a one time merit payment.

#### Recommendation/Requirement

The Service should continue to seek advice from the Texas A&M System on these payments and ensure compliance with the Education Code.

#### Service Response

*We agree with the auditor's finding and recommendation. In addition to taking the appropriate corrective actions, we have documented the appropriate funding source for future payment of Regents Fellow Service Awards.*

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## DETAILED FINDINGS — PAYMENT SCHEDULING

### Interest Loss To Treasury

#### Finding

[Texas Government Code, Section 2155.382\(d\)](#), authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make 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 payment scheduling when it is advantageous to the state.

We identified two purchase transactions which the Service paid early. One transaction was in the personal property group and one in the purchase group, resulting in interest loss to the State Treasury. The Service stated this occurred due to an oversight and has provided supporting documentation showing the reimbursement to the State Treasury for the interest lost to the state.

#### Recommendation/Requirement

The Service must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the Service must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to the vendors.

To minimize the loss of earned interest to the State Treasury, the Service must schedule all payments that are greater than \$5,000 for the latest possible distribution and in accordance with its purchase agreements as described in [eXpendit](#) — Payment Scheduling.

#### Service Response

*We agree with the auditor's finding and recommendation. In addition to taking the appropriate corrective action to reimburse the state for lost interest, we have reminded our voucher auditors to exercise due care in complying with the payment scheduling requirements.*

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## DETAILED FINDINGS — THIRD-PARTY TRANSACTIONS

### Incorrect TIN Used on Payments to Service Departments

#### Finding

In a report generated outside of our sample, we identified 333 purchase transactions (totaling \$509,431.75) where the Service used the incorrect Texas Identification Numbers (TIN) when making payments to service departments.

Out of the 333 transactions, 243 transactions (totaling \$117,118.02) were processed as direct payments and paid from state funds. The Service used their own TIN under the vendor field as opposed to using the TIN of the service department that is required to be set up.

The remaining 90 out of the 333 transactions (totaling \$392,313.73), were processed as reimbursements to local funds. The Service used their own TIN under the vendor field as opposed to using the TIN of the service department that is required to be set up on these transactions as well.

According to the Service, 242 transactions are for the Wildfire Cache Service Department; 37 transactions are for the Fleet Leasing & Sales Service Department; 39 transactions are one voucher paying registration fees for a natural resources conference held internally; and 15 transactions are for the IR Service Department. The majority of these transactions are to internal service departments. Texas A&M University System policy 21.01.05 allows the establishment of service departments in order to obtain efficiency and economy of operations through purchasing frequently used items in large quantities, eliminating duplication of effort in the acquisition of goods and services from suppliers, making it more convenient for user departments to obtain goods and services, and specialization of skills.

According to the Texas A&M University System Guidelines for Disbursement of Funds (provided to the auditors by the Forest Service) and [eXpendit](#), “An institution of higher education may purchase goods and services from an on-campus service center if the institution pays for the goods and services with:

- Educational and general funds,
- Higher education funds,
- Advanced technology funds, or
- Advanced research funds.

The institution must set up the service center in the TINS with either the service center’s:

- Federal identification number, or
- A TIN with a unique mail code to identify the center.”

**Recommendation/Requirement**

The Service must review immediately its procedures for processing reimbursements to its local accounts and ensure payments from the State Treasury to the service centers include the proper vendor information in TINS.

Every service center that provides goods or services for the Service must have its own individual TIN number set up in TINS. See [eXpendit](#) — Service Departments.

**Service Response**

*We agree with the auditor's finding and recommendation. We have established the appropriate TIN number for each service department and have changed our procedures to use these TIN numbers for service department expenditures.*

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## DETAILED FINDINGS — EXPENDITURE APPROVALS

### Control Weakness Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Service placed on its accounting staff's ability to process expenditures. We reviewed the Service's security in USAS, TINS and its voucher signature cards that were in effect on May 17, 2016. We did not review or test any internal or compensating controls that the Service may have relating to USAS or TINS security or internal transaction approvals.

We identified two employees listed on the signature cards with the security to adjust payment instructions in TINS and approve vouchers. The Service stated that when this issue was brought up in the previous audit they contacted the Comptroller's office for recommendations of further security controls that could be added to prevent the risk.

The Comptroller's office is aware that the Service did take steps to resolve this issue when the finding was addressed during the previous audit and have established system controls to mitigate some risks. Although the Service reduced one employee's security to change vendors' direct deposit information (ACH) in TINS as well as removed the second employee's release capability, a risk still remains when considering the specific voucher (electronic or manual) approval capabilities combined with the security access in TINS. Any individual added to the voucher signature card is being designated to approve the Service's expenditures, [\*Expenditure Approvals and Certification \(FPP B.007\)\*](#), including expenditures processed electronically through USAS as well as emergency payments using a paper voucher.

The Service was provided with a schedule of these findings during fieldwork.

#### Recommendation/Requirement

To reduce risks to state funds, agencies should have controls over expenditure processing that segregates each accounting task to the greatest extent practical. Ideally, no individual should be able to process transactions without another person's involvement.

The Service should review its controls over expenditure processing and segregate each task to the extent possible to ensure that no individual has the capability to update information in TINS and listed on the Service's voucher signature card with the ability to approve payments.

**Service Response**

*While we do not agree with the auditor's finding, we will implement the recommendation. The agency's signature card will be updated so that no employee has authority to approve payments and update information in TINS.*

**Comptroller Response**

We appreciate that the Service is taking the additional steps in resolving this issue considering the available staff and the associated risks involved.