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



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# Table of Contents

## Executive Summary

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

## Detailed Findings — Payroll

Incorrect Longevity Pay Amount.....	1
-------------------------------------	---

## Detailed Findings — Purchase

Invoice Greater Than Purchase Order/Freight Not on Purchase Order.....	2
--	---

## Detailed Findings — Travel

Lack of Conservation of State Funds.....	3
Unauthorized Use of State-Issued Travel Card .....	4

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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Texas Tech University Health Science Center (Center) 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 Center 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 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:

- Incorrect longevity pay amount.

## 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:

- Invoice greater than purchase order and freight not on purchase order

The Center did not pay any prompt payment interest during the audit period.

## Purchase card transactions

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

- No issues were identified.

## 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.

## 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 Center's employees with security in USAS, the Texas Identification Number System (TINS) 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 May 1, 2012.

During the current audit, no recurring findings were identified.

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## DETAILED FINDINGS — PAYROLL

### Incorrect Longevity Pay Amount

#### Finding

We identified two employees with incorrect months of service credit in the Center's internal payroll/personnel system. The employees' hire dates were entered incorrectly at the time of hire; therefore, their longevity pay was based on incorrect state effective service dates.

One employee was underpaid a total of \$140 in longevity pay and the other employee was overpaid a total of \$154.40, which was the state portion of the longevity pay.

The effective service date calculation is derived by subtracting the total days of lifetime service credit from the most recent employment date. That date is used to determine when longevity pay is to be increased.

See [Texas Payroll/Personnel Resource](#) – Longevity Pay.

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

#### Recommendation/Requirement

The Center must ensure its operating procedures include internal quality control measures and procedures to ensure that employee hire dates are entered correctly into their internal payroll/personnel system at time of hire, to prevent incorrect longevity pay amounts.

#### Center Response

*Payroll and Personnel areas have met and updated internal training documents to clarify proper recording of effective service dates. The Health Sciences Center will also develop an annual review of effective service dates to aid in monitoring longevity payments. A comprehensive review of all Health Sciences Center employees has been complete and effective service dates have been updated accordingly. Any additional longevity amounts due to employees have been issued through payroll. Management has reviewed longevity over-payments and finds recovering these payments cost prohibitive.*

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## DETAILED FINDINGS — PURCHASE

### Invoice Greater Than Purchase Order/Freight Not on Purchase Order

#### Finding

We identified one purchase transaction where the amount invoiced and paid was greater than the amount agreed upon on the purchase order (PO). In addition, the Center paid the shipping and handling charge although it was not included on the PO. Unless specifically identified on the original PO, these charges should not be paid by the Center.

A PO is an agreement entered into by the state and the vendor. When the Center enters into a contract for goods or services with the vendor, expenditures under the contract may not exceed the established limit. The Center may amend a contract and pay additional amounts only if the vendor provides an additional benefit, i.e., consideration, to the Center. Any amendments to the original agreement should be documented. The Center may pay only the contracted amount as shown on the PO. If freight charges are not on the PO, then the Center does not owe the charges and the charges should not be paid.

The Center has procedures in place to require freight terms be documented on each purchase requisition or purchase order, but these procedures were not followed in this case due to an oversight.

#### Recommendation/Requirement

The Center must ensure its procedures are followed. While a formal purchase document is not required, the Center must ensure that documentation of the purchase agreement is prepared at the time the Center orders goods or services.

#### Center Response

*An invoice was overpaid due to an oversight by a payment processor and a refund in the amount of \$19.92 has been recovered from the vendor.*

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## DETAILED FINDINGS — TRAVEL

### Lack of Conservation of State Funds

#### Finding

We identified one instance where the Center used a local travel agency that charged a higher processing fee for airfare purchases than the contracted state travel agencies. In a different instance, the Center used one of the contracted state travel agencies but was charged and paid a higher fee than the agreed state rate. Although the Center is not required to use the state's contracted travel agency, the Center could conserve state funds by doing so. The state contracted travel agencies assess a processing fee that is substantially more cost effective. The Center stated that these errors occurred due to an oversight.

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 Center must exercise caution in its use of state funds and ensure that each travel arrangement is the most cost effective considering all relevant circumstances.

#### Center Response

*The Health Sciences Center agrees the most cost effective travel arrangements should be utilized and directs travelers to seek the most cost effective method through its travel policies, communications and training documentation.*

## Unauthorized Use of State-Issued Travel Card

### Finding

During our review of the state-issued travel card expenses outside of the sample, we identified five instances totaling \$548.91 where the Center's employees used the state-issued travel cards to purchase personal items. The Center indicated that its internal procedures require monitoring of expenditures made with the state-issued credit card program, but in this instance, it did not follow those procedures. The Center 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 Center cancelled the state-issued travel credit cards for the five employees. The Center stated it will conduct a thorough review of all future travel card transactions and take necessary corrective actions. The Center will also revise its monitoring process to ensure personal purchases do not occur in the future.

In accordance with Texas Administrative Code, Chapter 34, Section 20.308(d)(2), the Center must cancel the state-issued travel credit card for any employee who fails to pay the charges timely, uses the card for personal transactions or any other misuse of the credit card.

### Recommendation/Requirement

The Center must ensure that all state-issued travel card transactions are properly reviewed, and that the Center's state-issued travel cards are used in accordance with the applicable rules and requirements. The current state credit card administrator, Citibank, offers reports that could help the Center monitor its credit card usage. The Center must offer periodic training to its credit card holders on proper use of state-issued credit cards.

### Center Response

*The Health Sciences Center has begun using the Merchant City/Headquarters Report from Citibank to monitor and identify personal purchases on the State-Issued Travel Card. To date the Health Sciences Center has terminated 8 State-Issued Travel Cards related to this issue and has not reimbursed a traveler for a personal use expense. The Health Sciences Center offers travel training which includes proper use of State-Issued Travel Cards.*