

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
Auditor: Max Viescas

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Post-Payment Audit of Texas Prepaid Higher Education Tuition Board



Glenn Hegar
Texas Comptroller of Public Accounts

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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Prepaid Higher Education Tuition Board (Board) purchase, travel, benefit payments, and refund of revenue transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning June 1, 2015, through May 31, 2016, to determine compliance with applicable state laws.

The Board 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 Board should implement the recommendations listed in the Detailed Findings of this report. It is the Board'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 Board's documents comply in the future. The Board 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.

Purchase transactions

Purchase transactions were audited for compliance with the General Appropriation Act (GAA), [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

- No issues were identified.

Travel transactions

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

- No issues were identified.

Benefit payments — Texas Guaranteed Tuition Plan (formerly the Texas Tomorrow Fund) transactions

A limited review of the Board's transactions relating to benefit payments was conducted as a part of our 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 Board's procedures for determining or monitoring payments made to the payees; therefore, no opinion is being offered on those procedures.

- No issues were identified.

Refund of revenue transactions

Refund of revenue transactions were audited for compliance with [eXpendit](#), the prepaid tuition contract, and other pertinent statutes.

- No issues were identified.

Security

The audit included a security review to identify Board employees with security in USAS, the Texas Identification Number System (TINS) or on the voucher signature cards who were no longer employed by the Board 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 review of the Board's internal control structure was limited to obtaining an understanding of the Board's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The audit identified:

- Two employees who can pick up warrants from the Comptroller's office and approve vouchers.

Fixed assets

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

- All assets tested were in their intended location.

Auditor Observation

We observed seven purchase transactions where the Board did not encumber funds prior to receiving the invoice. Though the Board is not required to encumber funds in USAS because it does not receive appropriated funds from the Legislature, it is considered a good business practice to encumber funds prior to receiving the invoice because it helps ensure that funds are available to pay for future obligated and planned expenses.

The Board has processes in place to ensure funds are encumbered prior to receiving the invoice; however, the Board indicated that these seven purchase transactions were for non-routine services that were difficult to estimate.

Prior post-payment audit and current audit recurring findings

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

During the current audit, no recurring findings were identified.

Contact:

Max Viescas, CPA
512-305-8659

Contributing Auditors:

Anna Calzada
Mayra Castillo
Roger Seemion

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 Board placed on its accounting staff's ability to process expenditures. We reviewed the Board's security in USAS, TINS and voucher signature cards that were in effect on July 21, 2016. We did not review or test any internal or compensating controls that the Board may have relating to security in USAS or TINS or internal transaction approvals.

Two employees had the ability to pick up warrants from the Comptroller's office and approve paper vouchers. The Board received a schedule of this finding during fieldwork. As a result of the audit, the Board sent a request to the security group and requested changes to the user profiles of the two employees, which was completed during the audit.

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

Recommendation/Requirement

The Board should periodically review its controls over expenditure processing and segregate each task to the extent possible to ensure that no individual is able to process payments without oversight.

Board Response

We agree with the recommendation. As noted above, changes were made in the warrant pick up authorization to exclude employees with security to approve vouchers.