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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Angelo State University (University) 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 University 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 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.

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 HRIS reporting requirements.

The audit identified:

- Underpayment of longevity.

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:

- Incorrect amount paid.
- Purchase order (PO) created after invoice.
- Missing legal authority for purchase.
Executive Summary

Payment/travel card transactions

Payment card transactions were audited for compliance with the GAA, eXpendit and other pertinent statutes.

The audit identified:

- Violation of state warrant hold statutes.
- Loss to payment card rebate program.

Travel transactions

Travel transactions were audited for compliance with the GAA, Textravel and other pertinent statutes.

The audit identified:

- Lack of conservation of state funds.
- Missing proof of payment.
- Incorrect travel reimbursement.

Security

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

The audit identified:

- Four employees who could process and release payments through USAS, process and release payrolls, and process and release payments between the University’s internal system and USAS.
- Two employees had the ability to adjust payment instructions in TINS and also approve paper vouchers.
- One employee could 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 University during the audit period. Their physical existence and use for state business was verified.

• All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System.

The disposed assets report listed eight assets as stolen with a net book value of $5,448.65. The theft of the assets was reported to the police.

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 Aug. 13, 2010.

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

• Purchase order created after invoice.
• Control weakness over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Underpayment of Longevity Payment Amount

Finding

In our audit of payroll transactions, we identified one employee with the incorrect number of months of state service in the University’s internal payroll/personnel system. This error resulted in the employee being underpaid a total of $720, of which $40 was in the sample.

The University incorrectly calculated the employee’s prior state service periods resulting in an incorrect number of months of state service. 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 University with schedules and calculations of the incorrect payment amounts. They are not included with this report due to confidentiality issues.

Recommendation/Requirement

The University should verify months of service data for its employees and enhance its internal controls to prevent incorrect longevity payment amounts. The University must compensate the employee for the underpaid amount.

University Response

Management agrees with the finding. The payroll and HR functional areas met and updated internal policies/procedures for verification of months of service data entered into the payroll system. Management will develop an annual review of service dates to ensure accuracy.
DETAILED FINDINGS — PURCHASE

Incorrect Amount Paid

Finding

We identified one transaction where an incorrect amount was paid to the vendor. The University paid more than the authorized amount on the PO. The University explained that the payment was approved by the department.

A PO is a contract entered into by the state and a vendor. The University may only pay the contracted amount as shown on the PO. If additional charges are not on the PO, the University does not owe the charges and the charges should not be paid.

When the University and a vendor agree to a certain rate or quantity, unless the PO is properly amended by the vendor providing additional consideration, any amount above that rate or quantity may not be paid. In addition, any amendments must be completed prior to the vendor providing goods or services.

Recommendation/Requirement

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

University Response

Management agrees with the finding. Operating policies and procedures and applicable Comptroller rules are being reviewed to ensure compliance. The Purchasing Manager has discussed the state and ASU policies regarding purchasing services with the department and the proper steps to follow if a change in the contract occurs.
Purchase Order Created After Invoice

Finding

We identified one purchase transaction where the University created a PO after the invoice was received. The University stated it was an oversight.

With no PO issued to the vendor at the time the goods were ordered, it will be difficult for the University to ensure that it was not overcharged or billed for goods or services beyond those the University agreed to purchase.

According to Texas Administrative Code, Chapter 34, Section 5.51(c)(1)(D), it is the responsibility of the state agency and its officers to “ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.”

Recommendation/Requirement

While a formal purchase agreement is not always required, documentation of the agreement must be prepared at the time the goods or services are ordered from the vendor. Once the University has made a final approved agreement with the vendor, the University may not pay any amount in excess of the agreed amount unless the agreement is amended due to the vendor providing the University a new benefit, i.e., consideration.

University Response

Management agrees with the finding. The Purchasing Manager will communicate state and ASU purchasing policies to the departments via email, training, and other communications.
**Missing Legal Authority for Purchase**

**Finding**

We identified one transaction within the purchase group in which the University did not have the legal authority for the purchase.

The University purchased wayfinding signs for an athletic stadium for a total of $60,031.15. The University was unaware that they needed statutory authority for this purchase. The total error amount in our sample was $3,001.56.

Unless a state purpose and statutory authority exists, a state agency is not authorized to purchase these items. See [eXpendit — Statutory Authority for Purchases](#). Also, institutions of higher education may not expend funds on construction from their general revenue funds per the General Appropriations Act. See the GAA, Article III, page III-250, rider 8(b), “No educational and general funds appropriated to any institution or agency named in this article may be expended on auxiliary enterprises, unless specifically authorized in this Act.”

**Recommendation/Requirement**

The University must determine whether it has the legal authority to make a payment or reimbursement before authorizing it. The University must reimburse the State Treasury for the funds expended without legal authority.

**University Response**

*The University reimbursed the State Treasury in Sept. 2016 for this purchase.*
DETAILED FINDINGS — PAYMENT CARD

Violation of State Warrant Hold Statutes

Finding

We identified one transaction for more than $500 where University employees failed to check the vendor for “warrant hold” prior to making the payment card purchase. The University’s policy for payment cardholders requires the employees to check the “warrant hold” status for the vendors prior to making the purchases. In most cases, the vendors’ status was checked and copies were attached to the receipts and activities logs. It is the University’s responsibility to ensure that it does not use state funds indirectly to pay vendors that are on “warrant hold.”

State agencies are required to verify a vendor’s hold status for non-emergency payments made with payment cards over $500. Texas Administrative Code, Chapter 34, Section 5.57(g)(6) prohibits a state agency from using payment cards for a purchase from a vendor if a payment to the vendor is prohibited by a “warrant hold” status.

Recommendation/Requirement

The University must follow its procedures to check for vendor warrant hold status prior to the initiation of purchases more than $500, in accordance with Texas Administrative Code, Chapter 34, Section 5.57(g)(6) and Verifying Vendor Hold Status (FPP K.012).

University Response

Management agrees with the finding. Payment card users have been reminded that the process to verify warrant hold status is required before making payments with the payment card. In addition, we will develop procedures to verify departments are checking the hold status. Moreover, the vendor hold process has been incorporated in our payment card training materials and our online training materials.
DETAILED FINDINGS — TRAVEL CARD

Loss to Payment Card Rebate Program

Finding

We ran a report outside of the sample to identify any outstanding payments due to Citibank by the University employees for the audit period. We found an outstanding balance over 180 days for $466.84 that was deducted from the state of Texas and Citibank Rebate Program. The University stated that they had no knowledge that the employee had an outstanding balance.

The state of Texas and Citibank Contract No. 946.A1 states, that Citibank shall make annual payments to the state of Texas (based on the state fiscal year) or Cooperative Purchasing Program Customers in the form of a rebate or other revenue sharing arrangement. The rebate or revenue sharing arrangement shall be based on the total cumulative dollars spent as posted for both the payment and travel charge cards. The contract also states that payments received on day 41 or later will not qualify for rebates. Also, any outstanding balances will be deducted from the annual rebate payment to the state of Texas.

In this case, the payment due to the state of Texas for the annual rebate program was deducted by $466.84.

Recommendation/Requirement

The University must ensure that the payments to Citibank are in compliance to the state of Texas and Citibank contract. The University must create policies and procedures to monitor the state of Texas credit cards and ensure they are being paid within the contract terms. This will eliminate any loss to the state from the Citibank rebate program.

University Response

The University has implemented new procedures to monitor the Citibank reports for employee past due balances and take additional action if needed.

In this instance, the University had fully reimbursed the employee for their expenses and the credit card account had been closed.
DETAILED FINDINGS — TRAVEL

Lack of Conservation of State Funds

Finding

We identified 11 instances where the University reimbursed travelers for mileage incurred while operating personal vehicles to conduct official state business. However, based on the applicable car rental rates, related taxes, cost of gasoline and the standard mileage rates in effect at the time of travel, we determined that it was more cost effective for the state if the traveler used a rental vehicle instead of a personally owned vehicle. The University did not have policies and procedures in place that require employees to prepare a cost comparison between using a rental car versus personal vehicle prior to travel.

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 University must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. The University should prepare a cost-benefit analysis before each trip showing the cost of using a rental car versus that of using a personal vehicle to ensure the most cost-effective alternative is used.

University Response

Management will evaluate current travel policies with regard to rental vehicle and personal vehicle use and update as needed. New travel training materials will be created for University travelers and regular training sessions will be offered to University personnel.

As of Oct. 2016, University personnel from various university departments attended travel training sessions provided by the Comptroller’s Office to refresh and enhance their knowledge of state travel procedures.
Missing Proof of Payment

Finding

We identified three travel vouchers where the lodging receipt did not indicate that the employee paid the balance. The University did not notice the outstanding balance in reviewing the receipts. Without proper payment documentation, we could not determine whether the payments were an accurate reflection of the expenses incurred by the travelers. The University stated that these were due to oversights.

For a state employee to be reimbursed for a lodging expense and related tax, the employee must provide proof of payment. See Textravel — Lodging Receipt Requirements.

Recommendation/Requirement

The University must ensure that employees’ lodging receipts show adequate payment documentation prior to reimbursement.

University Response

Management agrees with the finding. The Travel department has added one half an FTE which will allow the department to perform a second review of travel reimbursements to help reduce the workload on one employee. The Travel department is developing a traveler checklist to reduce the risk of missing/incorrect documents going forward.

As of Oct. 2016, University personnel from various university departments attended travel training sessions provided by the Comptroller’s Office to refresh and enhance their knowledge of state travel procedures.
Incorrect Travel Reimbursement

Finding

We identified two instances where travel reimbursements were incorrectly processed. One traveler was not reimbursed for the hotel taxes, underpaying the traveler by $82.80. The University stated that the underpayment was due to a funding shortage in the department budget. Therefore, the University determined not to pay the traveler the full amount.

Another traveler was reimbursed the wrong amount for the car rental. The traveler was paid $169.04 instead of $101.13; therefore, the traveler was overpaid by $67.91. The University did not detect the error when processing the travel reimbursement. This was due to an oversight.

Agencies must ensure that all travel reimbursements are examined prior to payment to ensure compliance with all applicable regulations and limitations. See Travel — Responsibilities.

Recommendation/Requirement

The University should caution its employees and approval staff to verify all totals being submitted for reimbursement are correct. If the University department does not have sufficient budget to reimburse its employees, it should restrict travel by department employees. The University must also obtain a reimbursement from the overpayment unless it determines it is not cost effective to do so.

University Response

Management agrees with the finding. The Travel department has added one half an FTE which will allow the department to perform a second review of travel reimbursements to help reduce the workload on one employee.

As of Oct. 2016, University personnel from various university departments attended travel training sessions provided by the Comptroller’s Office to refresh and enhance their knowledge of state travel procedures.
DETAILED FINDINGS — INTERNAL CONTROL

Control Weakness Over Expenditure Processing

As part of our planning process for the post-payment audit, we reviewed certain limitations that the University placed on its accounting staff’s ability to process expenditures. We reviewed the University’s security in USAS, TINS and its voucher signature cards that were in effect on May 4, 2016. We did not review or test any internal or compensating controls that the University may have relating to USAS or TINS security or internal transaction approvals.

The University has four employees who could process and release payments through USAS without oversight, process and release payrolls without oversight, and process and release payments between its internal system and USAS. Two of these employees could also adjust payment instructions in TINS and approve vouchers. In addition, one of these employees could also pick up warrants from the Comptroller’s office and approve vouchers. According to the University, it makes every effort possible not to process documents without oversight; however, on occasion, it is necessary for an individual to process expenditures without oversight due to staffing limitations.

To reduce risks to state funds, the University should have controls over expenditure processing that segregate each accounting task to the greatest extent practical. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the statewide financial systems without another person’s involvement.

We ran a report to see whether any of the University’s payment documents were processed through USAS during the audit because of the action of only one person; no issues were identified.

Recommendation/Requirement

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

University Response

Management agrees with the finding and will continue to monitor processes to ensure appropriate oversight is maintained. Please note that while the ability exists for personnel to process payments without oversight, it is not the regular practice of the University to do so.

Comptroller Response

The University should consider a preventative control that can be enforced for all of its USAS transactions. If an agency requests the control, an edit will prevent the release of a document that the same user entered or altered. To find out about reducing risks to state funds, see USAS Accounting and Payment Control (FPP B.005).