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Expenditure Audit Section  
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# Post-Payment Audit of Texas A&M Engineering Extension Service



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# EXECUTIVE SUMMARY

## Audit scope

We audited a sample of the Texas A&M Engineering Extension 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 June 1, 2015, through May 31, 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. The Service was also audited for compliance with HRIS reporting requirements.

The audit identified:

- Incorrect longevity pay.

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.

## Travel transactions

Travel transactions were audited for compliance with the GAA, [Texttravel](#) and other pertinent statutes. Our review identified minimal audit findings which were discussed during our exit conference meeting.

The audit identified:

- Lack of conservation of state funds.
- Missing documentation.

## Security

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

- No issues were identified.

## Fixed assets

The audit included a limited number of fixed assets acquired by the Service during the audit period. Their physical existence and use for state business was verified. All assets tested were in their intended location.

- No issues were identified.

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

A prior post-payment audit of the Service's payroll, purchase and travel transactions was concluded on July 11, 2012.

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

- Incorrect longevity payment amount.

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## DETAILED FINDINGS — PAYROLL

### Incorrect Longevity Pay Amount

#### Finding

We identified two employees with incorrect months of service credit in the Service's internal payroll/personnel system.

One employee's calculated state effective service date was Jan. 3, 2000. Since it was the first working day of the month, the Service gave the employee lifetime service credit for the whole month. An employee may receive longevity pay for the month in which he or she has accrued 24 months of lifetime service credit only if the employee's anniversary falls on the first day of the month. Otherwise, the employee should begin receiving longevity pay on the first of the following month. As a result, the employee received an increase in longevity benefit early and that led to a cumulative overpayment of longevity of \$120. Of that amount, \$20, was in the current audit period.

For the second employee, the Service incorrectly calculated the months of the employee's service credit and that resulted in an incorrect state effective service date being entered in the Service's internal payroll system. Since the longevity pay was based on an incorrect state effective service date, it was not paid correctly. The total amount of longevity underpayment of \$100 was outside of the sample.

The Service explained that in the first instance the incorrect longevity payment occurred because of a different interpretation of the rule, while in the second instance it incorrectly entered the employee's hire dates resulting in an incorrect calculation of state service.

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

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

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

#### Recommendation/Requirement

The Service must ensure its operating procedures include internal quality control measures and procedures to ensure employee hire dates are entered correctly in its internal payroll/personnel system at the time of hire, to prevent incorrect longevity calculations and payments.

**Service Response**

*We appreciate the diligence of the audit team in examining this area. Going forward, we will use the guidance provided by the team which they gathered by working with the section responsible, for the instances where the first working day of the month is not on the first. TEEX has determined that the collection of the overpayment would not be cost effective.*

*The second case was a data entry error and will be corrected. The under-payment will be paid.*

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## DETAILED FINDINGS — TRAVEL

### Lack of Conservation of State Funds

#### Finding

As part of the audit, the Service provided a file of travel expenses paid from local appropriated funds. We identified one instance where the Service reimbursed an employee for excessive travel expenses to Qatar. The airline ticket was classified as business class airfare and cost \$11,746.30. We queried the airline's current pricing and noted that an economy class roundtrip costs approximately \$2,000 while its business class fare costs approximately \$9,200.

As a result of the audit, the Service reviewed the transaction determined the travel was allocated to the wrong fund. The Service also stated that it has an agreement with Qatar Oil to reimburse travel expenses including business class airfare. However, this employee was not covered under the agreement. The Service further stated that the employee had to leave suddenly with other employees to attend an urgent meeting in Qatar.

During the fieldwork, the Service prepared the entries to reverse the entry from local appropriated funds to local unappropriated funds.

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 Service must exercise caution in its use of state funds and ensure that all travel arrangements are the most cost effective considering all relevant circumstances.

#### Service Response

*TEEX will revise Standard Administrative Procedures to allow business class travel only in cases of properly documented medical necessity or when the fare is directly paid by the customer and not TEEX.*

## Missing Documentation

### Finding

We identified two travel reimbursement transactions that lacked the documentation needed to verify the validity of the payment. For one transaction, the invoice was different from the amount paid. The Service was unable to provide any additional documentation. For the other transaction, the Service provided a screen print of an interagency charge sheet of vehicle operations in June 2010. No other supporting documentation was available. According to the Service, the reimbursement was for emergency services deployment expenses from fiscal 2009-10 and the supporting documentation no longer exists.

We could not determine whether the information entered into USAS was an accurate reflection of the transactions made without proper documentation. Documentation must be maintained to verify that the payments or reimbursements are valid as well as to maintain a proper audit trail.

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

Supporting documentation must be made available to the Comptroller's office in the manner required. The types of supporting documentation the Comptroller's office may require include purchase orders, requisitions, contracts, invoices and receipts. See Texas Administrative Code, Chapter 34, Section 5.51(e)(2)-(3).

### Recommendation/Requirement

Supporting documentation must be made available during an audit to justify the validity of a payment. The Service must ensure that it has adequate supporting documentation for all expenditures prior to processing a payment or reimbursement. Detailed item and pricing information must be documented and retained to verify proper billing and payment.

### Service Response

*TEEX follows records retention policies, but will be more attuned to the need to segregate records that deal with emergency deployments and reimbursements, so that the pertinent records are retained based on the latest dates in the document chain as opposed to the original documents. A change will be made to the record retention form to indicate when a request for destruction involves emergency deployment items.*