Post-Payment Audit of Texas A&M Engineering Experiment Station
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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas A&M Engineering Experiment Station (Station) revenue, purchase, travel, grant, payroll and payroll deduction 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 Station 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 Station should implement the recommendations listed in the Detailed Findings of this report. It is the Station’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 Station’s documents comply in the future. The Station 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 audit identified:

- Incorrect longevity pay amount.
- Payment of penalty from late deposit of payroll taxes.

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:

- Payment scheduling issue.

The Station paid $24.79 in prompt payment interest during the audit period.
ExEcutivE Summary

Purchase card transactions

The 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, Textravel and other pertinent statutes.

The audit identified:

• Gratuity not payable.

Travel card transactions

The travel card transactions were audited for compliance with the GAA, Textravel, and other pertinent statutes.

• No issues were identified.

Fixed assets

The audit included a limited number of fixed assets acquired by the Station 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.

Security

The audit included a security review to identify any of the Station’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 security can be revoked in a timely manner.

• No issues were identified.

Internal control structure

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

The audit identified:

• One employee could adjust payment instructions in Texas Identification Number System (TINS) and approve vouchers.
Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Station’s payroll, purchase and travel transactions was concluded on Nov. 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 one employee with an incorrect effective service date in the Station’s internal payroll/personnel system. This resulted in four incorrect transactions totaling an overpayment amount of $80 in longevity pay. The Station incorrectly calculated the employee’s prior state service, resulting in an incorrect effective service date.

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 increased.


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

Recommendation/Requirement

The Station should verify months of service data for its employees and enhance its internal controls to prevent incorrect longevity payment amounts.

In addition, the Station should verify all personnel files and ensure that prior state service is properly verified and documented for its employees.

Station Response

The A&M System is in the process of implementing a new payroll/personnel system called WorkDay. TEES will work with the System offices regarding solutions for the longevity calculation within WorkDay. Months of service, upon hire, will continue to be verified to prevent and/or correct any incorrect payments of longevity pay.
Payment of Penalty from Late Deposit of Payroll Taxes

Finding

The Station was assessed a penalty and interest of $12,617.68 by the Internal Revenue Service (IRS) due to a late deposit of payroll taxes. For provisions related to deposit due dates and penalties from the late payment of payroll taxes, see IRS Publication 15, Circular E, Employer’s Tax Guide, pages 17–21.

The penalty and interest was due to a missed deadline and resulted in an unnecessary expenditure of the Station’s funds. The Station explained that the issue arose from the conversion from Epik to FAMIS which delayed the processing and timeliness of compiling correct information for the IRS deposits.

Recommendation/Requirement

We recommend the Station distribute a schedule of the payroll due dates to all its employees who process payroll for the Station. This will assist the Station in complying with the due dates for the IRS and avoid late payroll deposit penalties and interest. The Station stated that the issue was resolved and should not repeat.

Station Response

We concur with the audit finding. The issue has been resolved.
DETAILED FINDINGS — PURCHASE

Payment Scheduling Issue

Finding

We identified five transactions where the Station paid early, resulting in interest loss to the State Treasury. The Station stated it was aware that invoices greater than $5,000 must be scheduled, but that these transactions were paid early due to a change in its internal payment process. This change will affect all future payments.

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 payment scheduling is allowed or required; however, the Comptroller’s office must require advance payment scheduling when it is advantageous to the state.

The Station is in the process of switching from one internal accounting system to a new system. As a result, the Station has made the decision to only use the invoice received date for prompt payment purposes and to schedule all payments 30 days after the invoice date, including those for less than $5,000. The Station stated that it made this decision to improve consistency to make payments promptly and by the contracted date. However, the prompt payment law requires agencies and universities to use the later of the invoice received date, the service completion date, or the date goods were received for prompt payment calculation purposes, in the absence of specific contract terms with a vendor. The Station’s decision conflicts with the prompt payment law. The Station risks paying vendors the incorrect interest amount.

Recommendation/Requirement

To reduce the risk of non-compliance with payment scheduling laws and to minimize the loss of earned interest to the State Treasury, the Station must schedule all payments on invoices that are greater than $5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in eXpendit on the Prompt Payment and Payment Scheduling tabs.

Station Response

TEES follows the state prompt payment interest rules. The change implemented by the A&M System under Buy A&M (BAM), only impacts payment scheduling. TEES is currently in the process of changing purchasing systems. So, payment scheduling will be revisited during this implementation.
**DETAILED FINDINGS — TRAVEL**

**Gratuity Not Payable**

**Finding**

We identified one travel transaction requesting state reimbursement to the Station’s locally held funds that included gratuities. The Station initially processed the payment using local unappropriated funds then requested reimbursement from the State’s appropriated funds. The Station indicated that the request for gratuity reimbursement was not identified as error because the original voucher was paid from local funds where gratuities are allowable.

Texas Constitution, Article III, Section 51, prohibits giving away the state’s money for private purposes. Paying gratuities is a violation of this section.

In addition, Texas Administrative Code, Chapter 34, Section 5.22(f)(2)(C), says that tips or gratuities are not reimbursable incidental expenses.

**Recommendation/Requirement**

The Station must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy. The Station must also enhance its process to reduce the risk of requesting reimbursement from state funds for prohibited expenses.

**Station Response**

The $4.86 tip paid on state funds was a clerical error and it was moved to local funds upon notification. Travel expense reports are often split between state and local funds. In this case, the tip was marked with the wrong funding source.

TEES’ process is to audit state expenditures for compliance with state rules prior to payment. Any prohibited expenditures are moved to local funds.
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 Station placed on its accounting staff’s ability to process expenditures. We reviewed the Station’s security in USAS, TINS and its voucher signature cards that were in effect on April 21, 2016. We did not review or test any internal or compensating controls that the Station may have relating to USAS, TINS security or internal transaction approvals.

One employee could adjust payment instructions in TINS and approve vouchers. To reduce risks to state funds, agencies should have expenditure processing controls 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 state governmental accounting systems without another person’s involvement.

We ran a report to determine whether any of the Station’s payment documents processed through USAS during the audit period because of the action of only one individual. The report indicated that 16 USAS documents were processed without electronic oversight. We conducted a limited review of the documents processed and did not identify any issues. All documents were determined to be valid expenditures.

Recommendation/Requirement

The Station 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.

Additionally, the Station must limit the access of users who can enter/change vouchers or release/approve batches in USAS to view only access in TINS (PTINS02). An individual should not be able to create a vendor or change a vendor profile, create a payment, and approve the payment.

Station Response

TINS access for the one employee who could adjust payment instructions in TINS and approve vouchers was removed as of July 2016. A periodic review will be conducted to examine state systems to ensure proper segregation of duties.