

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of Texas A&M University – Texarkana



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of Texas A&M University – Texarkana (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 Sept. 1, 2015, through Aug. 31, 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.

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. A limited sample of voluntary contributions was also audited.

The audit identified:

- Incorrect payments of accrued vacation time.
- Incorrect longevity payment amounts.
- Incorrect hazardous duty payment amount.

Purchase and payment card transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes. We also audited the University's compliance with the prompt payment law and scheduling rules.

The audit identified:

- Interest not paid to vendor.
- Missing statutory authority for purchase.

The University paid \$71.58 in prompt payment interest during the audit period.

Travel transactions

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

The audit identified:

- Gratuities not reimbursable.

Direct deposit authorization form

A review was conducted of the University's procedures to comply with the federal mandate to properly identify and handle payments involving moving funds internationally.

The review identified:

- One instance where an outdated direct deposit form was used and the employee checked the box indicating that payments would be forwarded to an institution outside of the United States.
- One instance where the appropriate box indicating whether the payments will be forwarded to an institution outside the United States was left blank.

Security

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

The audit identified:

- One employee retained ability to expend funds after termination.
- One employee retained security to expend funds after authority expired.

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 review identified:

- One employee could process and release payments through USAS and could process and release payrolls without oversight.
- One employee could adjust payment instructions in TINS and approve paper vouchers.
- Two employees could pick up warrants from the Comptroller's office and approve paper 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.

- No issues were identified.

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 Jan. 18, 2013.

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

- Incorrect longevity payment amounts.
- Gratuities not reimbursable.

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DETAILED FINDINGS — PAYROLL

Incorrect Payments of Accrued Vacation Time

Finding

We identified four instances where employees' lump sum payments for accrued vacation time were incorrectly calculated. Four employees were overpaid a total of \$219.93. The incorrect payments of accrued vacation time occurred because the University calculated the payments using an incorrect rate of compensation. The rate of compensation included the base pay plus a stipend for cell phone allowance that the University incorrectly interpreted as being provided as a salary supplement in lieu of base pay.

For purposes of determining the applicable rate of compensation, a state employee's rate of compensation includes base pay plus any stipend provided as a salary supplement. A special item of compensation, e.g., housing, utilities, clothing and cleaning, may be included in the rate only if the item was provided in lieu of base pay. See [34 Texas Administrative Code Section 5.43\(g\)\(1\)](#).

The documentation provided was reviewed during fieldwork and it was determined that the stipend for the cell phone allowance was not provided as a salary supplement. Therefore, the allowance was not in lieu of base pay and should not have been included in the rate of compensation.

We provided the University with the schedules of the incorrect payment amounts. They are not included with this report due to confidentiality issues.

Recommendation/Requirement

The University must enhance its internal policies and internal controls to ensure that the rate of compensation for payments of accrued vacation time do not include stipends that do not meet the criteria of a salary supplement as defined in [34 Texas Administrative Code Section 5.43\(g\)\(1\)](#). The University should consider recovering the amount of overpayments in accordance with [Texas Government Code, Chapter 666](#), unless it determines it is not cost effective to do so.

University Response

Management agrees with this recommendation.

Effective Sept. 1, 2016, the University adopted a new form devised by the Texas A&M University System Office to correctly calculate accrued vacation pay that excludes disallowed stipends.

The four (4) employees noted in the audit that were overpaid in the amount of \$219.93, in total for all four. All four are former employees and the University has not been able to contact them. It is not cost effective to employ a collection agency to collect the amounts.

Incorrect Longevity Payment Amounts

Finding

We identified three employees with incorrect months of service credit in the University's internal payroll system resulting in incorrect payments of longevity pay. Two employees did not receive state service credit for time previously hired to work during short periods as a casual employee, and one employee was incorrectly coded as a return-to-work retiree in their internal system. The total longevity amount underpaid was \$8,720, of which \$160 was in the sample.

At the time of hire, an employee completes a new hire packet which is maintained in the Human Resources department. The new hire packet includes a job application and the University's internal record of Previous State Employment form. The internal previous employment form is used so an employee can list any prior state employment. Prior to payroll processing, the Payroll department receives a copy of the University's internal record of Previous State Employment form but not a copy of the job application. Currently, the University's procedures include obtaining prior state service verification whenever an employee indicates prior state employment in the internal record of Previous State Employment form.

In the two instances where the employees did not receive state service credit for previous casual employment periods, the prior employment periods were listed on the job application, which is maintained in the Human Resources department. Since the Payroll department did not receive a copy of the job applications, they were not aware of the prior casual employment periods. In addition, the University was not aware that employment in a casual position should be included in the calculation for lifetime service credit for these employees.

Also, one employee retired from an independent school district and the University incorrectly believed that the retirement from the school district met the return-to-work retiree provisions as it pertains to longevity pay for state employees.

As a result of the audit, the University corrected its internal system to include the prior state service months and removed the incorrect return-to-work coding in their internal system. Also, the University made the required leave accrual adjustments and compensated the employees for the underpayments of longevity pay.

When an agency hires an employee, the agency must research whether the employee has prior state service. If prior state service exists, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See [Texas Payroll/Personnel Resource](#) – Longevity Pay.

We provided the University with the schedules and calculations of the incorrect longevity payment amounts. They are not included with this report due to confidentiality issues.

Recommendation/Requirement

The University should review the payroll/personnel records to ensure that the prior state service months are properly verified and documented for all its employees, including those employed as casual employees. The University should also implement procedures to ensure that the internal record of Prior State Employment forms and job applications are both reviewed to verify any prior state service that may be listed.

University Response

Management agrees with this recommendation.

Effective Sept. 28, 2017, the University began a review of all currently active employees to verify the accuracy of credited prior state service and ensure supporting documentation is contained in the personnel file.

Effective June 1, 2017, the University began a verification of prior state service for all incoming new hires by attaching a copy of a verified application to the Prior State Service Declaration form filled out by the new employee. This document will be kept in the personnel file.

The three employees noted in the audit were notified of the discrepancy in their longevity pay, and will be paid by supplemental pay correcting their incorrect pay no later than Oct. 31, 2017. The University has corrected their longevity pay rate going forward to reflect their correct longevity pay.

Incorrect Hazardous Duty Payment Amount

Finding

We identified one employee with incorrect months of service credit in the University's internal payroll system resulting in an incorrect payment of hazardous duty pay. The employee was not given state service credit for time employed in a hazardous duty position at another state agency. The total hazardous duty pay amount underpaid was \$2,660, of which \$30 was in the sample.

At the time of hire, an employee completes a new hire packet which is maintained in the Human Resources department. The new hire packet includes a job application and the University's internal record of Previous State Employment form. The internal previous employment form is used so that an employee can list any prior state service, including periods of employment in a hazardous duty position. Prior to payroll processing, the Payroll department receives a copy of the University's internal record of Previous State Employment form but not a copy of the job application. Currently, the University's procedures include verifying lifetime service credit for employment in a hazardous duty position whenever an employee lists it in the internal record of Previous State Employment form.

In this instance, the employee did not receive lifetime service credit for the prior hazardous duty employment because it was listed in the job application, which is maintained in the Human Resources department. Since the Payroll department did not receive a copy of the job application, they were not aware of the prior hazardous duty employment.

As a result of the audit, the University corrected its internal system to include the months of employment in a hazardous duty position. The University compensated the employee for the underpayment of hazardous duty pay.

When an agency hires an employee, the agency must research whether the employee has prior state employment in hazardous duty positions, including hazardous duty employment at a community or junior college. If prior hazardous duty employment exists, the agency must ensure that the employee is receiving lifetime service credit for the sum of all periods of employment in a hazardous position during the employee's state employment history. See [Texas Payroll/Personnel Resource – Hazardous Duty Pay](#).

We provided the University with the schedule and calculation of the incorrect hazardous duty payment amount. It is not included with this report due to confidentiality issues.

Recommendation/Requirement

The University should verify prior state service data for employees working in hazardous duty positions to ensure that they are receiving lifetime service credit for all eligible periods of employment in hazardous duty positions. The University should also implement procedures to ensure that the internal record of Previous State Employment forms and job applications are both reviewed to verify any prior state hazardous duty employments that may be listed.

University Response

Management agrees with this recommendation.

Effective Sept. 28, 2017, the University began a review of all currently active employees to verify the accuracy of credited prior hazardous duty service and ensure supporting documentation is contained in the personnel file.

Effective June 1, 2017, the University began a verification of prior hazardous duty service for all incoming new hires by attaching a copy of a verified application to the Prior Hazardous Duty Service Declaration form filled out by the new employee. This document will be kept in the personnel file.

The employee noted in the audit was notified of the discrepancy in his hazardous duty pay, and will be paid by supplemental pay correcting his incorrect pay no later than Oct. 31, 2017. The University has corrected his hazardous duty pay rate going forward to reflect their correct hazardous duty pay.

DETAILED FINDINGS — PURCHASE

Payments Past Prompt Payment Deadline

Finding

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract;
- The date the performance of the service under the contract is completed; or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#). In our sample, we identified one purchase transaction that was paid late where the vendor was not paid interest in the amount of \$7.17. The error occurred because the University did not enter the payment into USAS in a timely manner.

Recommendation/Requirement

The University must review its procedures to ensure that it submits payment information for processing as well as releasing the payment in a timely manner to avoid incurring interest liabilities. In addition, the University must verify that proper due dates are entered to ensure interest due to vendors is paid correctly.

University Response

Management agrees with this recommendation.

Effective Oct. 1, 2017, accountants reviewing payments for release in USAS are verifying that the due date calculated by the University's accounting program, FAMIS, matches the state prompt payment deadlines.

DETAILED FINDINGS — PURCHASE & PAYMENT CARD

Missing Statutory Authority for Purchase

Finding

We identified eight instances for a total of \$6,715.40 where the University purchased promotional items without having statutory authority to do so. The University deemed that it had statutory authority for these purchases but the documentation provided did not substantiate that the purchases were necessary to fulfill its duties.

The purchase of game sets, distribution of promotional items for sports events and distribution of giveaways for students and faculty participating in educational programs appears to involve promotion or advertising of the University, however, appropriated funds may not be used in this manner by the University because the University does not have express or implied authority to spend appropriated funds on promotional items or advertising. See [eXpendit – Statutory Authority for Purchases](#). In addition, this activity does not appear to further a legitimate public purpose that justifies the use of public funds for private gain. [Art. III, Section 51, Texas Constitution](#) and [Attorney General Opinion JC-0350 \(2001\)](#).

Recommendation/Requirement

The University must update its policies and procedures to ensure that the University does not purchase goods or services that it does not have statutory authority to purchase.

University Response

Management agrees with this recommendation.

Texas A&M University – Texarkana’s process is to audit state expenditures for compliance with state rules prior to payment. Any prohibited expenditures are allocated to local funds. Purchasing will monitor unallowable purchase card transactions and allocate to local funds as needed. Accountants reviewing payments for release in USAS will monitor expenditures for statutory authority. Communications to account managers were sent out detailing the acceptable and non-acceptable uses of state funds. Communications will be sent out semi-annually to all cardholders related to this information.

The State Treasury will be reimbursed for expenditures in this finding no later than Oct. 31, 2017.

DETAILED FINDINGS — TRAVEL

Gratuities Not Reimbursable

Finding

We identified two travel transactions that reimbursed employees for transportation expenses that included a gratuity in the amount of \$7.17. The University indicated that during the approval process, the travel specialist missed allocating the gratuity amounts to a local account.

The [Texas Constitution, Article III, Section 51](#), prohibits the expenditure of the state's money for private purposes. The payment of a gratuity is a violation of this section.

Recommendation/Requirement

The University must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy prior to reimbursement. The University must obtain reimbursement from the traveling employees unless it determines it is not cost effective to do so.

University Response

Management agrees with this recommendation.

Texas A&M University – Texarkana's process is to audit state expenditures for compliance with state rules prior to payment. Any prohibited expenditures are allocated to local funds. The travel specialist will monitor the reimbursement of gratuities and allocate to local funds as needed.

The University has determined it is not cost effective to seek the \$7.17, overpayment from the two employees reimbursed for their travel.

DETAILED FINDINGS — SECURITY

Failure to Notify Comptroller's Office to Remove Employee from Signature Card

Finding

During the audit period, the University did not notify the Comptroller's office about the termination of one employee designated to approve its expenditures.

The employee remained on the University's voucher signature cards for 142 days after the employee's termination. The University is required to notify the Comptroller's office within five days after termination. The University never notified the Comptroller's office. This means the former employee could have approved vouchers submitted to the Comptroller's office on paper during that time. Any payment produced by a paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. The Comptroller's office verified that no paper vouchers were processed from this employee after the termination date.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. See [34 Texas Administration Code Section 5.61](#). Any officer or employee may send the Comptroller's office that notification. See [Section 5.61\(k\)\(3\)\(B\)](#). [Section 5.61](#) does not specify how the Comptroller's office is to be notified about employee terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings, as long as the writings indicate that a designated employee has terminated employment and the notification specifies the effective date of the employee's termination.

According to the University, the security officer for USAS was unaware that the process also required sending notification to the Comptroller's office to remove the names from the voucher signature cards on file.

Recommendation/Requirement

The University must ensure that the person responsible for sending termination notifications to the Comptroller's office is aware of the designated employee's termination on or before the termination becomes effective and follows up with the Comptroller's office to ensure receipt of the notification and ensure the revocation occurred.

University Response

Management agrees with this recommendation.

The University will update procedures and processes to ensure access is terminated as appropriate, as well as ensure the revocation occurred with the Comptroller's office. A quarterly review will be conducted to examine the signature card for authorized signers.

Failure to Request Security Access Removal

Finding

During the audit period, the University failed to timely submit a request to the Comptroller's office to remove one employee's USAS security to electronically approve expenditures. The request must be sent on or before the effective date of an employee's termination or revocation. In this case, the security request was sent late. This permitted the employee to approve any vouchers the University submitted electronically to the Comptroller's office through USAS for three days after authority expired.

When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

The University has procedures to notify the Security Coordinator of personnel actions. The University stated that the delay in removing the employee's security occurred because the employee needed security access until the close of business on the termination day. Therefore, security was submitted the next working day Oct. 12, 2015.

Recommendation/Requirement

The University must ensure compliance with the preceding requirements. It must also ensure that the person responsible for sending the termination notifications to the Comptroller's office is aware of the designated employee's termination on or before the date the termination becomes effective and follows up with the Comptroller's office to ensure receipt of the notification and ensures the revocation occurred.

University Response

Management agrees with this recommendation.

The University will update procedures and processes to ensure access is terminated on or before the termination date, as well as ensure the revocation occurred with the Comptroller's office. A quarterly review will be conducted to examine the state systems to ensure authorized employees have access to USAS.

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 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 March 3, 2017. 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 one employee could process and release payments through USAS without oversight, process and release payrolls without oversight, adjust payment instructions in TINS, and two employees could pick up warrants from the Comptroller's office and approve paper vouchers. According to the University, it makes every effort possible not to process documents without oversight; however, on occasions, it is necessary for an individual to process expenditures without oversight due to staffing limitations.

We ran a report to determine whether any of the University's payment documents processed through USAS during the audit period because of the action of only one person. There were three USAS documents that were either entered and approved, or altered and approved, by the same person without another person's electronic oversight. These documents resulted in payments totaling \$1,112,287.79. The documents were reviewed during the fieldwork phase of the audit and were determined to be valid expenditures.

The University received a schedule of this finding during fieldwork. As a result of the audit, the University sent a request to the security group and requested a change to the user profile for one employee. The security group removed TINS update capability for the employee on March 10, 2017.

Recommendation/Requirement

The University should segregate each task to the extent possible to ensure that no individual is able to process payments without another person's involvement.

1. The University must limit access at the time it is set up (96A screen) to either enter/change voucher or release/approve batch.
2. The University should elect to have the document tracking control edit on the Agency Profile (DØ2) set to either:
 - Prevent a user from releasing a batch that the same user entered or altered for the agency
 - OR –
 - Warn the user when the same user attempts to release his or her own entries or changes and to have a second individual review and process those transactions. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

3. The University should request the DAFR9840 on the Report Request Profile (91) screen for a list of documents that were entered or altered by the same user who released the batch for review and consideration by a supervisor or a manager.

The DAFR9840 identifies and analyzes documents with these action codes:

- 200 – Transaction Added to Accounting Files
- 205 – Transaction on Accounting Files Changed
- 210 – Transaction Deleted from Accounting File
- 201 – Release of Batch

The University must ensure that employees with voucher/payment entry/change/delete status in the University's internal system who also have release status in USAS are not able to also approve/release payments in the internal system or in USAS. A supervisor or another employee should approve vouchers in the internal system.

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

University Response

Management agrees with this recommendation.

The University will update procedures and processes to ensure no individual is able to process payments without another employee's involvement. A quarterly review will be conducted to examine the state systems to ensure proper segregation of duties.