

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Audit Report # 751-17-01
January 2, 2018

Post-Payment Audit of Texas A&M University – Commerce



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas A&M University – Commerce (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, 2016 through Feb. 28, 2017, 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

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 Human Resource Information System (HRIS) reporting requirements.

- No issues were identified.

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.

The University paid \$1,182.43, in prompt payment interest during the audit period.

Travel transactions

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

- No issues were identified.

Travel card transactions

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

The audit identified:

- Excessive reimbursement for lodging.

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 that security can be revoked in a timely manner.

The review identified:

- One employee retained the ability to expend funds after termination.

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:

- Two employees could adjust payment instructions in TINS and approve vouchers.
- Two employees could process and release payments through USAS.
- Two employees could process and release payrolls.

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.

Direct deposit authorization forms

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 audit identified:

- Ten instances where an older form was used. The form used did not include the question regarding whether the money would be sent out of the country.
- This form did not adhere to the National Automated Clearing House Association rules requiring the identification of a direct deposit payment if it is an International Automated Clearing House Transaction.

In response to an email from the Comptroller's office, in July 2015, requesting a review of the direct deposit authorization forms, the University updated the direct deposit form to include the required question regarding whether the money would be sent out of the country.

Prior post-payment audit and current audit recurring finding

A prior post-payment audit of the University's payroll, purchase and travel transactions was concluded on May 18, 2012.

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

- Control weakness over expenditure processing.

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DETAILED FINDINGS — TRAVEL CARD

Excessive Reimbursement for Lodging

Finding

We identified one travel transaction where the University reimbursed an employee for lodging that was in excess of the allowable reimbursement rate for the location based on the U.S. General Services Administration (GSA) rates. The amount claimed in excess of the GSA rate totaled \$14. The University stated this error occurred due to an oversight.

The employee may only be reimbursed actual lodging expense not to exceed the maximum lodging reimbursement rate for that location. Agencies must use the federal rates provided by the GSA for both in-state and out-of-state travel within the contiguous United States. See [Texttravel](#) – Lodging Reimbursements.

Recommendation/Requirement

We recommend that the University enhance its review process of travel vouchers submitted into USAS for reimbursement to ensure only expenditures that comply with state laws and rules are included in the entries.

The University must ensure that in the future it does not reimburse its employees for lodging that exceeds the allowable reimbursement rate for the location, based on the U.S. GSA rates. If cost effective, the University should seek a refund of overpayment.

University Response

The state Comptroller's office was invited to campus to conduct training on purchasing and travel guidelines. On Oct. 30, two campus-wide trainings were presented to over 80 University employees. On Oct. 31st, more detailed training was provided to procurement, accounts payable and travel staff regarding state rules. The Accounts Payable supervisor also provided additional clarification and guidance on Nov. 7, to the department who had processed the travel reimbursement over the GSA rate.

The University travel website has been updated, and accounts payable and travel staff have been reminded of internal procedures and the importance of the review process.

The overpayment was reimbursed to the state on Oct. 27, 2017.

DETAILED FINDINGS — SECURITY

Employee Retained Security to Expend Funds After Termination

Finding

The University did not notify the Comptroller's office about the termination of an employee designated to approve its expenditures. The University stated the error occurred due to an oversight.

The lack of timely notification meant the employee remained listed on the University's voucher signature cards for four days after termination. The employee could have approved paper vouchers submitted to the Comptroller's office during that time. Any payment produced by a paper voucher approved under the employee's expired authority would have constituted an unapproved expenditure. We ran a report to determine whether any vouchers were approved by the employee. There were no paper vouchers approved by the former employee after the employee's 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. Any officer or employee may send the Comptroller's office notification. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#). This citation does not specify how the Comptroller's office must be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings in advance of the expiration date. The writings must indicate that the designated employee has terminated employment, had security revoked or will experience either a termination or a revocation in the near future, including the effective date.

Recommendation/Requirement

The University must enhance its controls to ensure compliance with [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#). The University must also ensure that the person responsible for sending notifications to the Comptroller's office is aware of the designated employee's termination on or before the termination becomes effective and follow up with the Comptroller's office to confirm receipt of the notification and that the revocation occurred.

University Response

The University staff has been reminded of the importance of terminating employees' security access timely. Internal procedures have been updated and a list of user access has been developed to help expedite revocation at the time of termination. Procedures have also been updated to confirm when the revocation occurs.

DETAILED FINDINGS — EXPENDITURE APPROVALS

Control Weaknesses Over Expenditure Processing

Finding

We reviewed certain limitations that the University placed on its accounting staff's ability to process expenditures. We did not review or test any internal or compensating controls that the University may have relating to USAS or the Texas Identification Number System (TINS) security or internal transaction approvals.

We identified two employees with multiple security capabilities. Both employees had the security to:

- Adjust payment instructions in TINS and approve vouchers.
- Process and release payments through USAS.
- Process and release payrolls without electronic oversight.

The University received a schedule of this finding during fieldwork. As a result of the audit, the University made modifications to the security profiles to ensure that an individual did not have the authority to both enter and release payments without electronic oversight.

We ran a report to determine if any of the University's payment documents processed through USAS during the audit period because of the action of only one person. The report identified four USAS documents totaling \$65,433.93, that processed without oversight. The payments were reviewed during the audit and determined to be valid expenditures.

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. 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 employee's involvement.

Recommendation/Requirement

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

We strongly recommend that the University implement the following recommendations:

1. The University must limit user access to either enter/change vouchers or release/approve batches. The University must limit user to view-only access for 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, or create and approve a payment.

2. The University must limit user access (96A screen) to either enter/change vouchers or release/approve batches.
3. The University should elect to have the document tracking control edit on the Agency Profile (D02) 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 have a second individual review and process those transactions. See [USAS Accounting and Payment Control \(FPP B.005\)](#).
4. The University should review the preventative and detective controls over expenditure processing discussed in [FPP B.005](#), such as the Risky Document Report (DAFR9840), which identifies documents that the same user entered or altered and then released for processing.

University Response

The University updated security access on July 26, 2017, to prevent one user from entering and releasing their own batches.

DETAILED FINDINGS — DIRECT DEPOSIT AUTHORIZATION FORMS

Incorrect Direct Deposit Authorization Forms

Finding

We conducted a review of the University's procedures to comply with the federal mandate to properly identify and handle payments involving moving funds internationally. All of the 10 payees selected and reviewed had forms that did not include the question regarding whether the money would be sent out of the country.

Without current and properly completed forms on file, the University was unable to provide appropriate answers required by the new form.

International Automated Clearing House transactions are destined for a financial institution outside of the territory of the United States. Due to federal requirements mandated by the Office of Foreign Assets Control, the National Automated Clearing House Association has adopted specific rules on the identification and processing of these types of direct deposit payments.

To avoid potential federal penalties, each state agency must:

- Show due diligence in the processing of all direct deposit payments.
- When possible, ensure direct deposit payments it issues to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside of the United States.

The University indicated that using direct deposit authorization forms that were not updated was an oversight. However, in response to a July 2015 email from the Comptroller's office, requesting a review of the direct deposit authorization forms, the University updated the direct deposit form to include the required question regarding whether the money would be sent out of the country.

Recommendation/Requirement

The University must ensure that all payees who request payment by direct deposit provide the appropriate direct deposit authorization form, with the international payments question answered and the form signed.

University Response

As stated in the executive summary, the University received an email from the Comptroller's Office in September 2015 and subsequently updated its direct deposit form to include the question regarding whether the money would be sent out of the country.