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# Post-Payment Audit of Texas Woman's University



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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas Woman's 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, 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 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 Human Resource Information System (HRIS) reporting requirements.

The audit identified:

- Incorrect state effective service date/longevity/hazardous duty payments.
- Incorrect payment of accrued vacation time.
- Incorrect overtime pay calculation.

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, [Textravel](#) and other pertinent statutes.

The audit identified:

- Gratuities not reimbursable.
- Lack of conservation of state funds.
- Early check-in fee not payable.
- Incorrect travel reimbursement.

## Procurement card transactions

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

The audit identified:

- No issues were identified.

## 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 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 audit identified:

- One employee could adjust payment transactions in the Texas Identification Number System (TINS) and approve vouchers.

## Fixed assets

The audit included a review of a limited number of fixed assets acquired by expenditures during our audit period to test for proper tracking in the University's internal system. 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 July 26, 2012.

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

- Incorrect amount of longevity pay.
- Incorrect payment of accrued vacation time.

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## DETAILED FINDINGS — PAYROLL

### Incorrect State Effective Service Date/Longevity/Hazardous Duty Payments

#### Finding

We identified one employee in the payroll sample that was missing a prior state service verification record. The employee listed prior state service on the job application; however, the University did not have documentation to show state service verification was conducted at the time the employee was hired. This resulted in an underpayment of longevity of \$2,460.

Another employee had occupied job positions that were eligible for both hazardous duty and longevity pay. The University incorrectly calculated the employee's total months of hazardous duty eligible state service, resulting in incorrect payments of longevity and hazardous duty pay. The total overpayment of longevity pay and hazardous duty pay was \$1,230.

The University explained that it erroneously credited the employee for his prior state service in a position eligible for hazardous duty entitlement so the combination of prior state service eligible for longevity and the state service eligible for hazardous duty entitlement was not calculated correctly.

When an agency hires an employee, the agency must research whether the employee has prior state service. If there is prior state employment, the agency must:

- Confirm the amount of lifetime service credit.
- Compute the correct amount of longevity pay entitlement.

If the agency fails to do this, the lifetime service credit for longevity will be based on the employment date at the new agency and the eligible employee may be underpaid longevity pay.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made from agency funds. The Comptroller's office may require documentation be made available during a post-payment audit, a pre-payment audit or at any other time. See [Texas Payroll/Personnel Resource – Required Documentation](#).

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

#### Recommendation/Requirement

We recommend the University continue to research and verify prior state service time for its employees. In addition, the University must ensure all prior state service verifications are properly documented, accurate and maintained in the personnel files.

The University must verify months of state service data for its employees and enhance its internal controls to prevent incorrect payments of longevity and hazardous duty payments.

The University should consider recovering the overpayments made to employees in accordance with [Chapter 666 Texas Government Code](#).

**University Response**

*TWU has corrected the longevity and hazardous duty pay and implemented internal enhancement controls to prevent future discrepancies. Collection arrangements were set up with affected employee in August 2017.*

## Incorrect Payment of Accrued Vacation Time

### Finding

We identified two instances where employees' lump sum termination payments for accrued vacation time were incorrectly calculated, resulting in an overpayment of \$386.32 and underpayment of \$498.45 to the employees. The University explained that the errors were due to miscalculation. The University made a request for the refund of overpayment during the fieldwork.

The balance of the accrued vacation time must be allocated over the workdays following the effective date of the employee's separation from state employment until the accrued vacation time is completely allocated. Hours must be added for each state or national holiday that occurs during the period over which the time is allocated. See [Texas Government Code, Section 661.064](#).

We provided the University with the schedule and calculation of the incorrect payment amount. They are not included with this report due to confidentiality issues.

### Recommendation/Requirement

The University must improve its internal controls to prevent incorrect payments of accrued vacation time. The University must compensate the individual for the underpaid amount.

### University Response

*Procedures have been revised and implemented for the vacation payout process to ensure correct payment of accrued vacation time. Payment was made for underpayment of accrued vacation time - September 2017.*



## Incorrect Overtime Pay Calculation

### Finding

In our review of the payroll transactions, we identified one instance where the employee's longevity pay was not included in the employee's overtime pay calculation, resulting in an underpayment of overtime pay. According to the University, longevity is not included in the overtime pay calculation used to calculate overtime pay for hourly employees. The University also stated that programming enhancements are required to correct longevity in the software used to calculate overtime pay.

Special payments such as longevity pay, hazardous duty pay, benefit replacement pay, and housing emoluments must be included in the regular rate of pay for the calculation of overtime pay. See the [Texas Payroll/Personnel Resource – Overtime](#).

We provided the University with a schedule of the incorrect overtime pay amount. It is not included with this report because it contains confidential information.

### Recommendation/Requirement

The University must ensure that it captures employee's longevity amounts in its overtime pay calculation. The University must compensate the employee for the underpaid amount.

### University Response

*Processes have been revised and implemented for overtime pay to ensure longevity amounts are included when processing overtime pay. Payment was made for underpayment of overtime pay - September 2017.*

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## DETAILED FINDINGS — TRAVEL

### Gratuities Not Reimbursable

#### Finding

We identified four travel transactions that reimbursed employees for meal and transportation expenses that included gratuities totaling \$62.79. The University indicated that the errors were missed during the review process.

The [Texas Constitution Article III Section 51](#), prohibits the giving away of the state's money for private purposes. The payment of a gratuity is a violation of this section. Additionally, [TexTravel - Prohibited Reimbursements](#) states that tips paid in conjunction with meal expenses are not reimbursable.

#### Recommendation/Requirement

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

#### University Response

*Internal processes have been revised and implemented for all travel reimbursement requests. The process now includes pre-audit steps, full audit steps and pre-payment steps.*

## Lack of Conservation of State Funds

### Finding

We identified one instance where the University reimbursed a traveler \$123.73 for taxi expenses incurred while conducting official state business. The traveler used a taxi to travel to and from the conference location and hotel and the hotel to business establishments. The traveler did not document in the travel voucher why a taxi was used instead of a rental vehicle.

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 using a taxi. 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/taxi 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 its 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 and/or taxi to ensure the most cost-effective alternative is used.

### University Response

*Additional training has been developed and delivered to address conservation of funds. The website has also been updated to reflect the importance of conservation of funds.*

## Early Check-In Fee Not Payable

### Finding

In a report outside of the sample, we identified one instance in which the University reimbursed an employee \$30 for a commercial airline early boarding fee. Early boarding fees are not payable unless a business need exists. The University does not have an internal policy for paying these fees and did not demonstrate a business need for the early boarding fee.

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 travel arrangements are cost effective considering all relevant circumstances.

### Recommendation/Requirement

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

### University Response

*Internal processes have been revised and implemented for all travel reimbursement requests. The process now includes pre-audit steps, full audit steps and pre-payment steps.*

## Incorrect Travel Reimbursement

### Finding

We identified one instance where a travel reimbursement was processed incorrectly. The traveler was reimbursed \$10.86 for toiletries purchased while conducting official state business. The University did not detect the error when processing the travel reimbursement.

Agencies must ensure that all travel reimbursements are examined prior to payment to ensure compliance with all applicable regulation and limitations. See [Texttravel – Agency Responsibilities](#).

### Recommendation/Requirement

The University should caution its employees and approval staff to verify all totals being submitted for reimbursement are correct. The University must obtain a reimbursement of the overpayment from the traveler unless it determines it is not cost effective to do so.

### University Response

*Internal processes have been revised and implemented for all travel reimbursement requests. The process now includes pre-audit steps, full audit steps and pre-payment steps.*

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## DETAILED FINDING — SECURITY

### Failure to Notify Comptroller to Remove Employee from Signature Card

#### Finding

During the audit period, the University failed to timely notify the Comptroller's office about the termination of one employee who had been designated to approve its expenditures. The request to remove the employee from the signature card was sent 32 days late. This means that the former employee could have approved paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by a paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. We researched our archived files and determined no unapproved documents were processed during the audit period. The University has procedures to notify the security coordinator of personnel actions. In this instance, the request to remove the employees' signature card was incorrectly delayed.

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 that notification. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

#### Recommendation/Requirement

The University must ensure compliance with the terminated employee security revocation requirements. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the employees' terminations on or before the dates the revocations become effective and follow up with the Comptroller's office to ensure receipt of the notification and the revocation occurred.

#### University Response

*Procedures and associated checklists for removing terminating employees from signature cards have been implemented.*

## Failure to Request Security Access Removal

### Finding

During the audit period, the University failed to submit a request to remove one employee's security access in USAS to electronically approve the University's expenditures on or before the date the employee's authority to approve the agency's expenditures is revoked. The request to remove the employee from the signature card was sent 37 days late. This could have permitted the employee to approve any vouchers that the University submitted electronically to the Comptroller through USAS after the employee's authority expired. Any payment produced by a document that was approved by an employee whose security has been revoked would have constituted an unapproved expenditure. We ran a report and determined that no unapproved documents were processed during the audit period.

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. In this instance, the request to remove the employees' security was incorrectly delayed.

### Recommendation/Requirement

The University must ensure compliance with the terminated employee security revocation requirements. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the employees' terminations on or before the dates the revocations become effective and follows through with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

### University Response

*Procedures with associated checklists for removing terminating employees from security access have been implemented.*

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## DETAILED FINDINGS — INTERNAL CONTROL

### 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 members' abilities to process expenditures. We reviewed the University's security in USAS, Texas Identification Number System (TINS) and voucher signature cards that were in effect on July 18, 2017. We did not review or test any internal or compensating controls that the University may have relating to USAS, TINS security or internal transaction approvals.

The University had one employee who could adjust payment instructions in TINS and approve vouchers. The University explained that due to its accounting staff limitations, it had some overlapping responsibility in its transaction approval process. The University was provided with a schedule of this finding during fieldwork.

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 process transactions within the statewide systems without another person's involvement.

#### Recommendation/Requirement

To reduce risks to state funds, agencies should have controls over expenditure processing that segregate each accounting task to the greatest extent practicable. Ideally, no individual should be able to process transactions without another person's involvement.

We strongly recommend that the University implement the following recommendations:

1. The University must limit user access to either enter/change voucher or release/approve batch.
2. The University must limit the access of users who can enter/change voucher or release/approve batch 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.

#### University Response

*Procedures with associated checklists for ensuring separation of duties to address control weaknesses over expenditure processing have been implemented.*