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Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of Stephen F. Austin State University



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Stephen F. Austin State 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. A limited sample of voluntary contributions was also audited.

The audit of 40 employees identified:

- Five incorrect state effective service date/longevity pay amounts.
- Nine incorrect overtime pay amounts.

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.

Grant transactions

Grant transactions were audited for compliance with the state laws and regulations pertaining to grants/loans and other pertinent statutes.

- No issues were identified.

Purchase card transactions

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

- No issues were identified.

Travel card transactions

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

- No issues were identified.

Security

The audit included a security review to identify any of the University's employees with security in USAS, HRIS 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 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.

- 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:

- Eight forms were not completed.

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 business was verified. All assets listed were in their intended location.

- 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 Aug. 31, 2012.

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

- Incorrect longevity payment amount.

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DETAILED FINDINGS — PAYROLL

Incorrect State Effective Service Date/Longevity Pay Amounts

Finding

In our review of the payroll transactions, we identified five out of 40 employees with incorrect state effective service dates in the University's internal payroll/personnel system. The University's internal system incorrectly counted a full month of lifetime service credit for a partial month of employment, which caused the University to incorrectly calculate lifetime service credit for these employees. The incorrect state effective service dates resulted in five overpayments of longevity pay totaling \$3,060.

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

As a result of the audit, the University made changes to its internal system to process future longevity payments correctly.

We provided the University with the schedule of incorrect longevity payment amounts during fieldwork. This is not included with this report due to confidentiality concerns.

Recommendation/Requirement

The University must correct the state effective service dates for all five employees. The University must correct its method of calculating lifetime service credit for its employees and enhance its internal controls to prevent incorrect longevity payments.

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

University Response

The state effective service dates for all five employees have been corrected and longevity overpayments have been collected from the individuals.

Internal controls have been enhanced to prevent incorrect longevity payments.

Incorrect Overtime Pay Amounts

Finding

In our review of the payroll transactions, we identified nine of 40 employees in which the employee's longevity was not included in their overtime pay calculation. According to the University, its prior internal system included longevity in the overtime pay calculation but was then omitted during their conversion to the current internal system, which caused the University to incorrectly calculate overtime pay for hourly employees. The incorrect calculation of overtime pay resulted in 11 underpayments of overtime pay totaling \$111.04.

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 [Texas Payroll/Personnel Resource – Overtime](#).

According to the University, it has not been able to modify the system to capture the longevity calculation but has contacted an outside IT firm that should be able to program the system to correct this error in the future.

We provided the University with the schedule of incorrect overtime pay amounts. It is not included with this report due to confidentiality concerns.

Recommendation/Requirement

The University must continue the effort to correct its system to capture employees' longevity amounts in their overtime pay calculation. Until the University completes the system modifications, it must manually calculate the overtime payments to ensure that the correct amount is paid to its employees. The University must compensate the employees for the underpaid amounts.

University Response

The Controller's Office is currently working with our IT staff to develop an automated solution to incorporate longevity pay in overtime calculations. Employees whose longevity was underpaid were compensated as of Oct. 2, 2017.

DETAILED FINDINGS — DIRECT DEPOSIT AUTHORIZATION

Missing Direct Deposit Authorization Form

Finding

We conducted a review of the University's procedures to comply with the federal mandate to properly identify and handle payments which involve moving funds internationally. Of the 10 vendors selected and reviewed, eight direct deposit forms on file were not completed. Without a properly completed form on file, the University was unable to indicate whether state funds were forwarded to a financial institution outside 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:

- Be able to show due diligence in processing all direct deposit payments.
- Do its best to ensure direct deposit payments issued to accounts at U.S. financial institutions are not ultimately being transferred to financial institutions outside the United States.

According to the University, failing to obtain the direct deposit forms earlier was an oversight due to a lack of understanding of the federal requirement. The University contacted all eight vendors and obtained properly completed forms.

Recommendation/Requirement

The University must ensure that all payees that request direct deposit payments submit a completed direct deposit authorization form with the international payment verification question answered and the form signed. A direct deposit authorization form should not be processed if the proper form is not on file, International Payment Verification section is left blank or if the form is unsigned.

University Response

The correct direct deposit form is now contained on the Controller's website.