

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Post-Payment Audit of the University of Texas of the Permian Basin



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the University of Texas of the Permian Basin (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. 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 identified:

- Missing documentation.
- Incomplete HRIS reporting.

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:

- Missing statutory authority for purchase.

The University paid no prompt payment interest during the audit period.

Travel transactions

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

The audit identified:

- Gratuity not payable.
- Lack of conservation of state funds.

Purchase card transactions

The 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.

The review identified:

- One employee could adjust payment instructions in TINS and approve vouchers.

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 the movement of funds internationally.

- No issues were identified.

Fixed assets

The audit included a limited review of one fixed asset acquired by the University during the audit period. Its 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 April 1, 2013.

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

- Gratuities not payable.
- Missing statutory authority for purchase.
- Control weakness over expenditure processing.

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DETAILED FINDINGS — PAYROLL

Missing Documentation

Finding

In our review of payroll transactions, we identified five instances where the Personnel Action Forms (PAFs) were missing from the human resource file. A PAF should include the effective date of the action and the approval signature. The types of actions included terminations, a merit increase and a new hire. According to the University, it underwent the process of upgrading its payroll software in 2015. As a result, the five missing PAFs were not processed.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require the 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](#).

Recommendation/Requirement

We recommend that the University review its human resource files to ensure management agrees with and approves all salary actions given during this time. The University should document this approval and include it in the personnel files for future reference.

University Response

Payroll is in process of implementing an electronic form workflow. Until process is active, all forms are centralized to be reviewed. All official paper employee records are maintained in the HR central filing cabinets.

Incomplete HRIS Reporting

Finding

The University posts financial transactions to both HRIS and USAS. However, during our comparison of data entered in both databases, we discovered 34 payroll vouchers totaling \$6,068,988.21 that were reported to HRIS up to 64 days late. According to the University, the difference was due to the University upgrading its payroll software, therefore delaying its reporting to HRIS.

We could not validate the supporting documentation for the reimbursement payrolls submitted and paid during the audit period, because the University did not report complete payroll information to HRIS, including longevity payments.

The Comptroller's office collects and maintains payroll and personnel information on all state employees. The information is used to report statistics to various legislative and oversight bodies, media and the general public. Institutions of higher education must report personnel and payroll events to HRIS as outlined in [34 Texas Administration Code Section 5.41\(h\)-\(i\)](#). If the Comptroller's office detects an error in a state agency's report of personnel or payroll information, then the Comptroller's office shall provide a description of the error to the agency. The agency shall then correct the error according to the requirements of the Comptroller's office.

Recommendation/Requirement

The University must ensure that all payroll and personnel transactions are reported to HRIS in a timely manner. The report submitted to HRIS must be made in the manner, frequency and form required by the Comptroller's office.

University Response

Accounting will work with the University of Texas Shared Information Services to create a process to reconcile HRIS and USAS transactions and to clear rejected file data.

DETAILED FINDINGS — PURCHASE

Missing Statutory Authority for Purchase

Finding

We identified 10 instances where the University purchased promotional items with appropriated funds without having statutory authority to do so. The University was under the impression that it had implied authority and could purchase promotional items for its Jon Ben Shepherd Leadership Program.

The purchases of tumblers, medallions, t-shirts and other promotional items as well as the purchase of ambulance service for a promotional event appears to involve promotion or advertising of the University. However, appropriated funds may not be used in this manner 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. See [Texas Constitution Art. III, Section 51](#) 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 with appropriated funds that it does not have statutory authority to purchase.

University Response

Purchasing will incorporate in the purchasing policy "no promotional items for all state funded accounts." Purchasing will add this to any training documentation.

DETAILED FINDINGS — TRAVEL

Gratuity Not Payable

Finding

We identified one travel transaction that reimbursed an employee for meal expenses that included a gratuity. The University indicated that the error was not identified during the document review process due to oversight.

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. Also, see [Texttravel – Prohibited Reimbursements](#).

Recommendation/Requirement

The University must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy prior to payment.

The University must obtain a reimbursement from the traveling employee unless it determines it is not cost effective to do so.

University Response

Accounting to include the gratuity on 21 accounts to be non-acceptable on forms and training.

Lack of Conservation of State Funds

Finding

We identified two travel transactions where the University did not conserve state funds.

In one instance, the University reimbursed an employee for higher than the state contracted rental car rate. The University explained that error was made because the employee did not ask for the contracted state rental rate.

The second transaction reimbursed an employee for the cost of an overnight stay at a hotel that was in excess of the approved rate for the locality. The University stated that all reimbursement requests in excess of the state approved rates are always charged to local funds. In this case, the error was not detected.

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

Prior to authorizing travel, the University must review the traveler's requests to ensure compliance with the travel regulations and closely review traveler's reimbursement requests to ensure that only eligible expenses are reimbursed to employees. The University must seek a reimbursement from the employees unless it determines it is not cost effective to do so.

University Response

Accounting will provide training for individuals on the state rate rental cars and hotels.

DETAILED FINDINGS — EXPENDITURE APPROVAL

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, HRIS, TINS and its voucher signature cards that were in effect on Feb. 6, 2017. We did not review or test any internal or compensating controls that the University may have relating to USAS, HRIS or TINS security or internal transaction approvals.

One employee could adjust payment instructions in TINS and approve vouchers.

We also 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 individual. No issues were identified.

Recommendation/Requirement

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

The University must implement the following recommendation:

The University must limit the access of users who can 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 and approve the payment.

University Response

Accounting has submitted change in approval process and security manager will comply with recommendation.