

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
Auditor: Mayra Castillo

Audit Report # 556-17-01
July 26, 2018

Post-Payment Audit of Texas A&M Agrilife Research



Glenn Hegar
Texas Comptroller of Public Accounts

Table of Contents

Executive Summary

Audit scope	i
Payroll transactions and payroll deductions	i
Purchase transactions	i
Travel transactions.....	ii
Purchase card transactions	ii
Travel card transactions.....	ii
Prompt payment and payment scheduling transactions	ii
Special reports	ii
Security.....	ii
Internal control structure.....	iii
Fixed assets.....	iii
Prior post-payment audit and current audit recurring findings	iii

Detailed Findings — Payroll

Incorrect Longevity Payment Amount	1
Incomplete HRIS Reporting.....	3

Detailed Findings — Travel Card

Early Check In Fee Not Payable.....	4
-------------------------------------	---

Detailed Findings — Payment Scheduling Issues

Payment Scheduling.....	5
-------------------------	---

Detailed Findings — Special Reports

Incorrect Mail Code Used on Payments to Service Departments	6
-------------------------------------------------------------------	---

Detailed Findings — Internal Control

Control Weakness Over Expenditure Processing.....	7
---------------------------------------------------	---

EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas A&M Agrilife Research (Agrilife) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) the period beginning Dec. 1, 2015 through Nov. 30, 2016, to determine compliance with applicable state laws.

Agrilife 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. Agrilife should implement the recommendations listed in the Detailed Findings of this report. It is Agrilife'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 Agrilife's documents comply in the future. Agrilife 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 \(FPP F.027\)](#) and other pertinent statutes. Agrilife was also audited for compliance with Human Resource Information System (HRIS) reporting requirements. The payroll sample consisted of 174 transactions from a group of 30 employees.

The audit identified:

- Incorrect longevity payment amount.
- Incomplete HRIS reporting.

A limited sample of voluntary contributions was also audited.

- No issues were identified.

Purchase transactions

Fifty purchase transactions were audited for compliance with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes.

- No issues were identified.

Travel transactions

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

- No issues were identified.

Purchase card transactions

Twenty-five purchase card transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes.

- No issues were identified.

Travel card transactions

Twenty-five travel card transactions were audited for compliance with the GAA, [Textravel](#) ([FPP G.005](#)) and other pertinent statutes.

The audit identified:

- Early check-in fee not payable.

Prompt payment and payment scheduling transactions

We audited Agrilife's compliance with the prompt payment law and scheduling rules.

The audit identified:

- Interest loss to the State Treasury.

Special reports

The audit included a review of various special reports run for Agrilife outside the sample. One of the special reports is the Mismatched Transactions Report, which lists potential incorrect mail codes, Texas Identification Numbers (TIN) and/or T-codes used on third-party transactions in compliance with [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#).

The audit identified:

- Incorrect mail code used on payments to service departments.

Security

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

- No issues were identified.

Internal control structure

Agrilife'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 pick up warrants from the Comptroller's office and approve paper 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 Agrilife'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 Agrilife's payroll, purchase and travel transactions was concluded on June 13, 2012.

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

- Incorrect longevity payment amount.

Contact:

Mayra V. Castillo
(512) 305-9746

Contributing Auditors:

Anna Calzada
Max Viescas, CPA

DETAILED FINDINGS — PAYROLL

Incorrect Longevity Payment Amount

Finding

Of the 30 employees reviewed for payroll, we identified one employee with incorrect months-of-service credit in Agrilife's internal payroll system, resulting in an incorrect payment of longevity pay. The employee did not receive state service credit for time previously employed at another state agency, even though the employee was a direct transfer to Agrilife. The total longevity amount underpaid was \$6,440, of which \$60 was in the sample.

Agrilife's newly hired employees are given a Statement of Previous State Employment form, so an employee can list any prior state service. Currently, Agrilife's procedures include verifying prior state service whenever an employee indicates it on that form.

According to Agrilife, because the employee did not return the Statement of Previous State Employment form at the time of initial hire, they did not have a record of prior state service. In this instance, the employee did list the prior state service on the job application.

As a result of the audit, Agrilife corrected their internal records to include the prior state service credit, made the required leave accrual adjustments and compensated the employee for the underpayment of longevity pay.

When an agency hires an employee, the agency must research whether the employee has prior state service. If so, 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 Agrilife with the payroll sample schedules and calculations of the incorrect longevity payment amounts. They are not included with this report due to confidentiality issues.

Recommendation/Requirement

Agrilife must review the payroll/personnel records to ensure that the prior state service months are properly verified and documented for all its employees. Agrilife must also implement procedures to ensure that the internal Statement of Previous State Employment forms and the job applications are both reviewed to verify any prior state service that might be listed.

Agrilife Response

Workday has an onboarding process built into the system where the incoming employee is assigned a "to do" task to fill out the prior state service forms (as many as needed) and send them out to former state agencies for verification of employment. These forms come back to the payroll office for review and processing. If any longevity adjustment is needed, the payroll office will enter the changes in Workday and process any payments needed for back pay. This recommendation was fully implemented in December 2017.

Comptroller Response

We requested clarification from Agrilife on the follow-up process to the new-hire's assigned "to do" tasks in Workday. Per Agrilife, the hiring unit has access to the new-hire's employee application, and if prior state service is shown, reminds the new hire to complete the "to do" task and submit the forms to previous state employers. In addition, Agrilife's HR and payroll personnel are now using the new web-based State of Texas Employment History Application as a tool for confirming state service reported by the new hires and to verify any other unreported service.

Incomplete HRIS Reporting

Finding

In the review of the 174 payroll transactions sampled, we identified various transactions that did not comply with HRIS reporting requirements. Fifteen transactions were reported using the incorrect entitlement code. Entitlement code TSK (task – casual employees only) was used instead of the corresponding entitlement code such as CTP (comp time payments), OTP (overtime payments), MSC (miscellaneous entitlements), IXM (one-time merit payments), ALP (lump-sum payments) or STI (stipend payments).

We also identified two transactions in the payroll sample where Agrilife did not submit the corresponding reason code required to identify personnel actions; in this case, it was reason code 935 for one-time merits. In addition, Agrilife did not submit the corresponding reason code for employee information change (RC038), used to update HRIS when an employee moves from a vacation-accruing position to a non-accruing position.

In a report generated outside of our sample, we identified 116 employees for which Agrilife did not submit the corresponding RC038 to HRIS when the employees moved from a faculty position to a non-faculty position.

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, the media and general public. Institutions of higher education must report personnel and payroll events to HRIS as outlined in [34 Texas Administrative Code Section 5.41\(h\)](#). If the Comptroller's office detects an error in a state agency's report of personnel or payroll information, then the Comptroller's office will provide a description of the error to the agency. The agency must then correct the error according to the requirements of the Comptroller's office.

We provided Agrilife with the payroll sample schedules. They are not included with this report, due to confidentiality issues.

Recommendation/Requirement

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

Personnel transactions are timely when they are successfully reported to HRIS on or before the seventh day of the month following the effective date.

Agrilife Response

This reporting is the responsibility of the Texas A&M University System Office. As the system has recently implemented Workday for Human Resources and Payroll functions, they continue to work on the integration of Workday files to HRIS. They have a goal of Aug. 31, 2018 to be fully integrated and current on all reporting.

DETAILED FINDINGS — TRAVEL CARD

Early Check In Fee Not Payable

Finding

Of the 25 travel card transactions reviewed, we identified one instance in which Agrilife reimbursed an employee who claimed two early check-in fees for a commercial airline. Early check-in fees are not payable unless there is a valid business need.

According to Agrilife, the traveler was unavailable for personal reasons on the first day and in meetings on the second day at the time of check in, thus opting for early check-in to ensure a seat on the plane.

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 arrangement are cost-effective considering all relevant circumstances.

Recommendation/Requirement

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

Agrilife Response

Texas A&M Agrilife Administrative Services Travel Office staff have been trained on allowable charges on state funds. If any disallowed charge is found on a travel expense report, the travel office will return the report to the traveler for a correction of funding source or request that it be flagged as a personal expenditure and seek reimbursement from the employee. This recommendation was fully implemented in January 2018.

DETAILED FINDINGS — PAYMENT SCHEDULING ISSUES

Payment Scheduling

Finding

[Texas Government Code, Section 2155.382\(d\)](#), authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller's office must require advance scheduling of payments when it is advantageous to the State.

We identified 20 out of 50 purchase transactions reviewed where Agrilife paid early, resulting in interest loss to the State Treasury. According to Agrilife, they have been using the Buy A&M System (BAM) but experiencing many issues. They will be converting to a new system and will no longer be using BAM, which should resolve the payment scheduling issues.

Additionally, Agrilife paid \$433.67 in prompt payment interest during the audit period.

Recommendation/Requirement

To minimize the loss of earned interest to the State Treasury, Agrilife must schedule all payments that are greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit – Payment Scheduling](#).

Agrilife Response

When Texas A&M AgriLife implemented Buy A&M (BAM), some payments were scheduled to pay too early through erroneous programming of the various dates used in the system. In March 2018, Texas A&M AgriLife Research implemented AggieBuy. AggieBuy pays all payments through a revolving account that sends the request for reimbursement from the state in accordance with state payment scheduling. This recommendation was fully implemented in March 2018.

DETAILED FINDINGS — SPECIAL REPORTS

Incorrect Mail Code Used on Payments to Service Departments

Finding

In a report generated outside of our sample, we identified five transactions totaling \$4,497.88 where the incorrect mail code was used when making payments to service centers.

Agrilife processed the reimbursements in the Uniform Statewide Accounting System (USAS) using its own mail code instead of the unique mail code for each service center.

Improper processing procedures can result in the inaccurate reporting of expenditures for public information requests. See [*Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)*](#), which explains how state agencies and institutions of higher education must process third-party payments through USAS.

Recommendation/Requirement

Agrilife must ensure payments from the State Treasury to the service centers include the proper vendor information in TINS. Each On-Campus and Auxiliary Enterprise Service Center that provides goods or services for Agrilife must have its own unique mail code set up in TINS.

Agrilife Response

When Texas A&M AgriLife Research was on Buy A&M, there was difficulty identifying the correct address for the service centers, so in the beginning the incorrect address was chosen for the service center payments. AgriLife Research has since moved into AggieBuy and these addresses are in a drop-down menu for the user to pick the correct service center address. This recommendation was fully implemented in March 2018.

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 Agrilife placed on its accounting staff's ability to process expenditures. We reviewed Agrilife's security in USAS, TINS and voucher signature cards that were in effect on April 21, 2017. We did not review or test any internal or compensating controls Agrilife might have relating to USAS or TINS security or internal transaction approvals.

Two employees had the ability to pick up warrants from the Comptroller's office and approve paper vouchers.

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 without another person's involvement.

We provided Agrilife with the Controls over Expenditure Processing schedules. They are not included with this report due to confidentiality issues.

Recommendation/Requirement

Agrilife should segregate each task to the extent possible to ensure that no individual is able to process payments without oversight.

Agrilife must also limit user access by removing the user from the Agency Authorization for Warrant Pickup List or by removing the user from Agrilife's signature card.

Agrilife Response

The Texas A&M AgriLife Research Security Office reviewed the Warrant Pickup List and Signature Cards. AgriLife adjusted the personnel who were able to pick up checks and who could sign paper vouchers. AgriLife has implemented a process of reviewing these twice a year. AgriLife has also set up a process for review when an employee terminates. This recommendation was fully implemented in February 2018.