

Fiscal Management Division
Statewide Fiscal Services Dept.
Expenditure Audit Section
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Audit Report # 774-18-01
June 14, 2018

Post-Payment Audit of Texas Tech University Health Sciences Center – El Paso



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EXECUTIVE SUMMARY

Audit scope

We audited a sample of the Texas Tech University Health Sciences Center – El Paso (Center) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) during the period beginning June 1, 2016, through May 31, 2017, to determine compliance with applicable state laws.

The Center 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 Center should implement the recommendations listed in the Detailed Findings of this report. It is the Center'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 Center's documents comply in the future. The Center 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

One hundred and thirty payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes. The Center was also audited for compliance with Human Resource Information System (HRIS) reporting requirements.

The audit of 40 employee personnel files identified:

- Incorrect hazardous duty pay.
- Hazardous duty pay paid to ineligible employee.
- Missing prior state service verification/incorrect longevity pay amount.

A sample of 20 voluntary deductions was also reviewed.

The audit identified:

- Missing payroll deduction forms.

Purchase transactions

Purchase 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 transactions

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

The audit identified:

- Payment of unauthorized fees.

Procurement card transactions

Payment 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.

Security

The audit included a security review to identify any of the Center'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

The Center's internal control structure was reviewed. The review was limited to obtaining an understanding of the Center's controls sufficient to plan the audit and did not include tests of control policies and procedures.

- No issues were identified.

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 Center's internal system. Their physical existence and use for state business was verified.

- No issues were identified.

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DETAILED FINDINGS — PAYROLL

Incorrect Hazardous Duty Pay

Finding

One of 40 employees at the Center had additional non-salary payment included in hazardous duty pay. The error, an additional \$20 per month, occurred before the Center separated from the Texas Tech University Health Sciences Center in Lubbock and continued after the separation. Out of a total \$810 in overpayments from February 2014 to July 2017, \$420 was paid to the employee by the Center.

While continuing to serve in a hazardous duty position, eligible employees earn an additional \$10 per month hazardous duty pay for each 12 months spent in a hazardous duty position. See [Texas Payroll/Personnel Resource Agency-Specific Provisions – Hazardous Duty Pay](#). From the employee's lifetime service credit accumulated by February 2014, the hazardous-duty payment was \$60, but should have been \$40. The extra \$20 was repeated each month thereafter, throughout the employee's tenure at the Center.

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

Recommendation/Requirement

The Center should consider recovering the amount of overpayment in accordance with [Texas Government Code, Chapter 666](#), unless it determines it is not cost effective to do so.

University Response

HR has implemented the following to ensure hazardous duty amounts are correct:

- *Worked with the police department personnel where the pay originates to ensure they have a process in place to identify when hazardous pay is due and the proper amount. The police department ePAF originator has been instructed to enter a comment on the ePAF regarding the date hazardous pay is due and the amount as confirmation.*
- *HR will closely review the hazardous pay amounts on ePAFs before they are applied.*

Hazardous Duty Pay Paid to Ineligible Employee

Finding

In our audit of payroll transactions, we identified one of 40 employees who was paid hazardous duty pay for which he was not yet eligible. The employee began to receive \$10 monthly hazardous duty payments immediately upon promotion into a hazardous duty position, instead of waiting for the required twelve months of service credit to accumulate. As a result, the Center had overpaid the employee \$100 at the end of 2017.

Employees must complete one year of service in a hazardous duty position to be eligible for hazardous duty pay. See [Texas Payroll/Personnel Resource Agency-Specific Provisions – Hazardous Duty Pay](#).

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

Recommendation/Requirement

The Center must enhance its internal controls to prevent making hazardous duty payments to employees who have not met lifetime state service requirements.

The Center should consider recovering the amount of overpayment in accordance with [Texas Government Code, Chapter 666](#), unless it determines it is not cost effective to do so. By the end of 2017, the total amount of overpayment was \$100, and the state appropriated funds portion of the overpayment was approximately \$52.

University Response

HR has implemented the following to ensure only eligible Police Department employees are paid hazardous duty pay:

- *Worked with the Police Department personnel where the pay originates to ensure they have a process in place to identify when hazardous pay is due and the amount. The Police Department ePAF originator has been instructed to enter a comment on the ePAF regarding the date hazardous duty pay is due and amount as confirmation.*
- *HR will closely review the hazardous pay amounts on ePAFs before they are applied in order to confirm the employee is eligible for the pay.*

Missing Prior State Service Verification/Incorrect Longevity Pay Amount

Finding

We identified one of 40 employees at the Center who had additional state service not incorporated into the calculation of the employee's longevity payments. The employee was identified by information provided on his employment application on file with Human Resources. Subsequently, the Center verified the prior state service with another Texas state university. The adjusted state effective service date with approximately ten months of additional state service entitled the employee to an additional \$400 in longevity pay.

The Center's procedures include verifying prior state service whenever an employee indicates previous state employment. An employee has an opportunity to list prior state service on the Center's internal Personal/Biographic Data Form, which is filled out by the employee during hiring and is maintained by the human resource department. In this instance, the employee did not complete the previous state employment section of the form; therefore, prior state service was not verified.

Longevity pay is an entitlement based on total state service. It is paid each month in addition to base salary. The Center's policy on longevity and hazardous duty pay (OP 70.25) requires employees to notify the Center of prior state service. However, payment of longevity pay is not contingent upon receipt of notice from the employee. When an institution hires an employee, it must research whether the employee has previous state employment. If prior state employment exists, the institution 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 the Center with the schedule of incorrect longevity pay amounts. It is not included with this report because it contains confidential information.

Recommendation/Requirement

The Center must ensure that its internal operating procedures include quality control measures that will detect any incorrect payments to a state employee. The Center must continue to review each employee's job application and internal record of previous state employment form for prior state service for all current and new employees to ensure it is properly recorded. The Center must compensate employee underpaid longevity pay through a supplemental payroll. See [34 Texas Administration Code Section 5.40\(c\)](#).

University Response

HR has confirmed that the underpaid longevity amount has been paid and this has been corrected in the system going forward.

HR has implemented the following to ensure all new hires with prior state service are identified, verification is completed and the correct longevity pay amount is paid:

- HR will ensure each new hire completes the required information on the biographical form at onboarding.*
- HR will continue to present information regarding direct transfers or those individuals already in the system at New Employee Orientation (NEO).*
- HR will issue a letter to each new hire at NEO that must be completed and submitted before the sessions ends. The letter requires the new hire to list any prior state service that must be certified to ensure credit, longevity (if applicable), balance transfers and accrual of future vacation leave.*
- HR will review the new-hire application to ensure we catch all reference to prior state service, if any.*
- HR will continue to review and reconcile weekly prior state service reports.*

Missing Payroll Deduction Forms

Finding

In the sample of 20 voluntary deductions, we identified two instances where the required payroll deduction form was missing. The Center was unable to provide the deductions forms for membership fees to employee organizations for both employees. The Center's staff was not able to locate the forms and indicated that the two missing forms were for employees who had terminated their employment with the Center.

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 may require the documentation to be made available during a post-payment audit, a prepayment audit or at any other time. See [Texas Payroll/Personnel Resource – Voluntary Deductions](#).

Recommendation/Requirement

The Center must enhance its internal controls to ensure that it maintains the proper documents required to support all employee payroll deductions. See [34 Texas Administrative Code Section 5.46](#).

University Response

HR has implemented the following to ensure deduction forms are on file:

- HR will not enter any deduction for any TTUHSC El Paso employee without ensuring we have secured proper written authorization from the employee. The written authorization must have the employee's signature and must be dated.*
- HR will enter the deduction on the employee's record and will ensure a copy of the written authorization is uploaded to the individual employee file.*

*** Effective Sept. 1, 2015, TTUHSC El Paso became its own entity, and the missing deduction forms were for deductions prior to 2015. TTUHSC El Paso did not enter deductions nor receive deduction authorization forms prior to 2015; they were handled by TTUHSC Lubbock.*

DETAILED FINDINGS — TRAVEL

Payment of Unauthorized Fees

Finding

Of 58 travel transactions audited, we identified one instance in the prospective employee travel sample and one instance in the employee travel sample of an incorrect amount paid for a travel agency fee. The Center used state funds to reimburse a domestic travel agency \$96 in fees, when it should have reimbursed the domestic travel agency fees negotiated by the Statewide Procurement Division (SPD). According to the Center, they are in the process of evaluating the travel agency contract the Center has in place.

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 Center must exercise caution in its use of state funds and ensure that all expenditures are fiscally responsible.

University Response

TTUHSC El Paso will exercise caution in the use of state funds by requiring that only contracted state travel agencies are used. TTUHSC El Paso's internal operating policies will be updated to reflect this requirement.