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Post-Payment Audit of the University of Texas M.D. Anderson Cancer Center

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Executive Summary

Audit scope

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

> ***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.***

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.

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 Center was also audited for compliance with Human Resource Information System (HRIS) reporting requirements and a limited sample of voluntary contributions was also audited.

The audit of 109 transactions from 35 employees identified:

- 46 unauthorized payroll incentive transactions.
- Six employees with incorrect longevity payment amounts.

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.

The Center should be commended on not owing any 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 of 30 travel transactions identified:

- Two gratuities not payable.
- One lack of conservation of state funds.
- One missing documentation.

Security

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

The review identified:

- One employee retained the ability to expend funds after termination.

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.

The audit identified:

- One employee could adjust vendor profiles in the Texas Identification Number System (TINS) and approve vouchers.
- Three employees could process and release payments through USAS and release payrolls.

Fixed assets

The audit included a limited number of fixed assets acquired by the Center during the audit period. 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 Center's payroll, purchase and travel transactions was concluded on Aug. 31, 2012.

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

- Incorrect longevity payment amount.
- Gratuities not payable.

- Lack of conservation of state funds.
- Employee retained ability to expend funds after termination.
- Control weakness over expenditure processing.

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Detailed Findings — Payroll

Unauthorized Payroll Incentives

Finding

We identified 46 out of 109 transactions totaling $1,180 where the Center paid its employees for the WorkLife Choice Program and the Part-Time Salary Supplement Pay and Affordable Care Act (ACA) Medical Eligibility Only Program without the legal authority.

The Center initiated the WorkLife Choice Program to provide an incentive for employees to participate in a voluntary Texas Retirement System or a flexible spending account. In addition, the Program later added a mass transit option to encourage employees to use alternative methods of commuting. The Program awards eligible employees enrolled in one of its approved plans a $15 taxable payment each month.

The Center did not include the WorkLife Choice Program expenditures in the Legislative Appropriation Request. Also, the funding for this program was not included in the bill pattern in the General Appropriations Act (GAA); therefore, state appropriated funds should not have been used for this program.

The Part-Time Salary Supplement and ACA Medical Eligibility Only Program was initiated to provide an incentive to part-time employees after the 78th Texas legislative session reduced the state premium-sharing amount for part-time employees. The Program provides part-time employees $170 a month to offset medical premiums.

Insurance Code Section 1551.319 (e), states "this section does not prohibit an institution of higher education from contributing, from money not appropriated from the general revenue fund, amounts in excess of the state contribution for a part-time employee described by Section 1551.101 (e)(2)". Therefore, appropriated funds may not be used for this program.

The Center indicated that the WorkLife Choice Award Program, the Part-Time Salary Supplement Pay and ACA Medical Eligibility Only Program are to be funded at the institutional level. The Center's policies and procedures require the monitoring of these expenditures, however, the policies and procedures were not followed in these instances.

Recommendation/Requirement

The Center must update its policies and procedures to ensure that it does not use state appropriated funds for payroll incentives. In addition, the Center must monitor payroll expenditures to ensure compliance with specific payroll incentive programs.

Center Response

MD Anderson is making provisions to ensure that state appropriated dollars are not used to fund the aforementioned payroll incentive programs. The correction to the Work Life Choice Program has been completed. The Part-Time Salary Supplement Program correction will be completed by Aug. 1, 2018.

Incorrect Longevity Payment Amount

Finding

In our audit of payroll transactions, we identified six out of 35 employees with an incorrect number of months of state service in the Center's internal payroll/personnel system. These errors resulted in longevity overpayments in the amount of $2,240.

The Center did not correctly calculate the employees' prior state service periods resulting in an incorrect number of months of state service. As a result, the adjusted state effective service date within the Center's internal payroll/personnel system was incorrect. The proper calculation of the effective service date is derived by subtracting the total days of lifetime service credit from the most recent employment date. That date is used to determine when the longevity pay is to be increased. See Texas Payroll/Personnel Resource – Longevity Pay.

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

Recommendation/Requirement

The Center should verify months of service data for its employees and enhance its internal controls to prevent incorrect longevity payment amounts.

The Center should consider recovering the overpaid amount in accordance with Texas Government Code Chapter 666, unless it determines it is not cost effective to do so.

Center Response

We have re-programmed our system to correctly calculate longevity based on the methodology identified in the 2017 audit. Additionally, we have revised our prior state service calculation so that it is compliant with Comptroller's office guidelines.

Detailed Findings — Travel

Gratuity Not Payable

Finding

We identified two out of 30 travel transactions that reimbursed travelers for meal expenses that included a gratuity. The Center indicated that it does not allow such reimbursements from state funds, but 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.

Recommendation/Requirement

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

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

Center Response

MD Anderson previously used a third-party audit service to audit travel reimbursement requests. The contract with the audit service was terminated early in fiscal 18 and replaced with an MD Anderson employee. All travel reimbursement requests are now reviewed by in-house personnel and we will ensure that they have been properly trained on the requirements for gratuities to be paid from appropriate funding sources.

Lack of Conservation of State Funds

Finding

We identified one out of 30 instance where the Center reimbursed two travelers for mileage for the use of personal vehicles to attend the same conference. The travelers departed on the same day and had the same itinerary.

When employees from the same agency travel on the same dates with the same itinerary, they must coordinate travel. When more than four employees travel on the same itinerary, only one out of every four may be reimbursed for mileage. See Texas Government Code, Section 660.044.

The Center stated that it did not notice that the traveling employees had the same itineraries.

Recommendation/Requirement

The Center must exercise caution in its use of state funds and ensure that those expenditures are fiscally responsible. The Center should require employees to coordinate their travel arrangements prior to traveling to ensure that the most cost-effective method is used.

Center Response

It is often the case when employees are traveling to the same conference that their schedules for traveling to and/or from the conference location are not able to be coordinated due to various personal and professional responsibilities. We will modify our travel guidelines to explicitly state that, whenever personal and professional schedules allow, employees traveling to the same conference should share a vehicle to conserve state funds. The guidelines document will be modified and placed on the Accounts Payable & Travel intranet site.

Missing Documentation

Finding

We identified one out of 30 travel transactions that did not have the documentation needed to verify the validity of the payment. Three meal receipts for out-of-state travel were missing and as a result, we were unable to determine the validity of the request for reimbursement of meal expenses from state funds.

The Center's internal policy requires that meal receipts be submitted for all travel reimbursement requests from state funds. The Center stated that the reimbursement was processed in error because the Center did not intend for these expenses to be reimbursed from state funds.

According to 34 Texas Administrative Code Section 5.22 (i)(2), "Supporting documentation must be sufficient to detail the expenses claimed. Supporting documentation requirements apply to a travel expense that is paid directly and to a travel expense reimbursement made by an agency."

Recommendation/Requirement

The Center must obtain proper documentation for travel reimbursement expenses prior to processing a reimbursement request. The supporting documentation must be maintained in agency files until the end of the second appropriation year after the appropriation year in which the document is processed through USAS.

Center Response

MD Anderson previously used a third-party audit service to audit travel reimbursement requests. The contract with the audit service was terminated early in fiscal 18 and replaced with an MD Anderson employee. All travel reimbursement requests are now reviewed by in-house personnel and we will ensure that they have been properly trained on the requirements for receipts to document payments for travel reimbursements.

Detailed Findings — Internal Controls

Control Weakness Over Expenditure Processing

Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Center placed on its accounting staffs' ability to process expenditures. We reviewed the Center's security in USAS, HRIS, and TINS and its voucher signature cards that were in effect on April 20, 2017. We did not review or test any internal or compensating controls that the Center may have relating to USAS, HRIS, or TINS security or internal transaction approvals.

We identified four employees with multiple security capabilities, to include:

- One employee could adjust vendor profiles in TINS and approve vouchers
- Three employees could process and release payments through USAS.

We ran a report to determine whether any of the Center's payment documents processed through USAS during the audit period because of the action of only one individual. The report indicated that eight USAS documents processed without electronic oversight. These documents resulted in payments totaling $29,123,302.13. We randomly selected and reviewed three of those documents. No issues were identified.

To reduce risk to state funds, the Center should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the statewide financial systems without another person's involvement.

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 Center must implement the following recommendations:

1. The Center must limit the access at the time it is being set up (96A screen) by limiting user access to either enter/change vouchers or release/approve batches.
2. The Center must elect to have the document tracking control edit on the Agency Profile (D02) set to either:
   - Prevent a user from releasing a batch that the same user entered or altered for the agency

     –OR–

   - Warn the user when the same user attempts to release his or her own entries or changes. See *USAS Accounting and Payment Control* (FPP B.005).

3. The Center must review the preventive and detective controls over expenditure processing discussed in *USAS Accounting and Payment Control* (FPP B.005), such as the Risky Document Report (DAFR9840) which identifies documents that the same user entered or altered and then released for processing.

4. The Center must limit user access to either enter/change voucher or release/approve batch. The Center 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 must not be able to create a vendor or change a vendor profile, create a payment, and approve the payment.

Center Response

We will work with our Financial Controls department to identify additional employees who can perform various USAS duties so that no individual will be able to process transactions without another person's involvement.

Employee Retained Ability to Expend Funds After Termination

Finding

During the audit period, the Center did not notify the Comptroller's office about the termination of one employee designated to approve its expenditures. The Center stated the error occurred due to an oversight.

The lack of timely notification meant the employee remained listed on the Center's voucher signature cards for 15 days after termination. The employee could have approved paper vouchers submitted to the Comptroller's office during that time. Any payment produced by a paper voucher approved under the employee's expired authority would have constituted an unapproved expenditure.

We ran a report to determine whether any vouchers indeed were approved by the employee. There were no paper vouchers approved by the former employee after the employee's termination date.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination. See 34 Texas Administrative Code Section 5.61(k). Any officer or employee may send the Comptroller's office notification of termination or revocation. See 34 Texas Administrative Code Section 5.61(k)(3)(B). This citation does not specify how the Comptroller's office must be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings in advance of the expiration date. The writings must indicate that the designated employee has terminated employment, had security revoked, will experience either a termination or a revocation in the near future, and the notification specifies the effective date of the termination/revocation.

Recommendation/Requirement

The Center must enhance its controls to ensure compliance with 34 Texas Administrative Code Section 5.61(k)(3)(B). The Center must also ensure that the person responsible for sending these notifications to the Comptroller's office is aware of the designated employee's termination on or before the termination becomes effective and follow up with the Comptroller's office to ensure that the notification was received and the revocation occurred.

Center Response

We currently use a weekly report of terminated and transferred employees to manage this process. We will create a report that specifically notifies us of terminated and transferred employees who have USAS access and set the report to run on a daily basis going forward. This will allow for faster identification of employees with USAS access who have left the institution so that termination of their access can be requested the same day their name appears on the report.