



# An Audit of Texas State University

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# Executive Summary

## Purpose and Scope

Objectives of the Texas State University (University) audit were to determine whether:

- Payments were processed according to applicable state laws, Comptroller requirements, and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Capital and high-risk assets were properly recorded.
- Appropriate security over payments was implemented.

This audit is conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period beginning June 1, 2016, through May 31, 2017.

## Background

Texas State University was established in 1903 and is under the support of the board of regents of the Texas State University System. Texas State University is a multipurpose university made up of two campuses located in San Marcos and Round Rock, Texas. With a student population of 38,661, the University offers 97 bachelor's, 93 master's and 14 doctoral degree programs in nine different colleges.

Texas State University website



<https://www.txstate.edu/about>

## Audit Results

The University generally complied with the General Appropriations Act (GAA), other relevant statutes, and Comptroller requirements. Auditors found no issues with refund of revenue, grants, payroll deductions and segregation of duties. However, the University should consider making improvements to the University's payroll, payment scheduling on purchases and system security processes.

The auditors reissued two findings from the last audit conducted at the University related to longevity pay and payment scheduling. Auditors originally issued these findings in August 2013. An overview of audit results is presented in the following table.

# Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	 Sixty employees were tested; two employees had incorrect service dates. Both employees had incorrect longevity pay. <ul style="list-style-type: none"> <li>• One employee was paid per diem for attending two board meetings at another agency while being a full-time employee at the University.</li> </ul>	<b>Compliant, Findings Issued</b>
<u>Purchase Transactions</u>	Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	 Forty-five transactions were tested: five transactions were paid early, resulting in interest loss to the state's treasury.	<b>Compliant, Findings Issued</b>
<u>Refund of Revenue Transactions</u>	Did refund of revenue transactions comply with all pertinent statutes and Comptroller requirements?	No issues	<b>Fully Compliant</b>
<u>Grant Transactions</u>	Did grant payments comply with the state laws and regulations pertaining to grants/loans and other pertinent statutes?	No issues	<b>Fully Compliant</b>
<u>Security</u>	Did all system access over payment comply with all the Comptroller security guidelines?	Two employees' security access in the Uniform Statewide Accounting System (USAS) was not removed on or before the date the employees' authority to approve the University's expenditures was revoked.	<b>Noncompliant</b>
<u>Internal Control Structure</u>	Is overlapping security access segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	No issues	<b>Fully Compliant</b>





Area	Audit Question	Results	Rating
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant



Repeat Finding

## Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The University should review its controls and personnel records to prevent any incorrect compensation to an employee.
- To minimize the loss of earned interest to the state treasury, the University must schedule all payments greater than \$5,000 for the latest possible distribution and in accordance with its purchasing agreements.
- The University must ensure compliance with the security revocation requirements for terminated employees.



# Detailed Findings

## Payroll Transactions

Auditors developed a representative sample from a group of 60 employees of 180 payroll transactions to ensure that the University complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. The review also included a report that identifies employees who might be dually employed; 10 employees were selected for review. Additionally, a limited sample of 10 voluntary contribution transactions was audited with no exceptions identified. Audit tests revealed the following exceptions in the payroll transactions.

## Incorrect State Effective Service Date/Incorrect Longevity Pay Amount

We identified two employees with incorrect state effective service dates in the University's internal payroll system resulting in incorrect payments of longevity pay. One employee's months of service count was short a month based on prior state service start and end dates. The incorrect months of service credit resulted in a longevity underpayment outside the sample totaling \$200. The University stated the longevity underpayment was due to the prior state service being calculated incorrectly when completed manually in the 1980s.

The second employee was credited with 10 full months of service credit for partial months of employment. The incorrect months of service credit resulted in a longevity overpayment of \$2,620: \$2,600 outside the sample and \$20 inside the sample.

The longevity overpayment, according to the University, was due to the University seeking clarification from Pan American University on the start and end dates of prior state service provided and, based on the clarification received, was interpreted as continuous employment without breaks in service.

As a result of the audit, the University corrected its internal system to reflect the accurate months of service credit. The University made the required leave accrual adjustments and compensated the employee for the underpayment of longevity pay. The University stated that it would not be collecting on the overpayment of longevity pay.

An employee may receive longevity pay for the month in which he or she has accrued at least two years of lifetime service credit not later than the last day of the preceding month. Otherwise, the employee begins receiving longevity pay on the first of the following month. See [Texas Government Code, Section 659.043\(a\)\(3\)](#).

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. See [Texas Payroll/Personnel Resource – Longevity Pay](#).



## Recommendation/Requirement

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The University should review the payroll/personnel records to ensure that the prior state service months are properly verified and documented for all its employees, including those employed as student employees. The University should also implement procedures to ensure that the employees do not receive a full month of service credit for a partial month of employment.

## University Response

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*Procedures are in place to ensure prior state service months are properly verified and documented. We are using the recommended date calculator to ensure employees do not receive a full month of service credit for a partial month.*

## Noncompliance with Compensatory per Diem Provisions

A report generated outside of our sample identified one employee who attended two meetings at the Executive Council of Physical and Occupational Therapy Examiners, as a board member, during Aug. 12, 2016, and Jan. 27, 2017, while being a full-time employee at the University. Per [General Appropriations Act, Article IX, Section 5.07\(c\)](#), a full-time employee paid from funds appropriated by this Act may not be paid both salary and compensatory per diem for concurrent service as a state employee and as a board or commission member.

It is the University's policy that faculty are reminded twice per year to submit outside employment requests. The requests are reviewed by the employee's manager and by Human Resources to determine any impact on dual state employment. Per the University, in this case, the employee did not submit the form for this appointment (even though she had submitted others). The employee was also unaware of the compensatory payments from the Executive Council of Physical and Occupational Therapy Examiners, and thought the payments were for expense reimbursements, not salary.

As a result of the audit, the employee's use of annual leave at the University has been applied retroactively for the hours attended during the two board meetings.

## Recommendation/Requirement

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To avoid the potential for not compensating an employee appropriately, auditors recommend the University routinely obtain and review the State Employees Employed by More than One State Agency report from the Comptroller's office and coordinate with the other state agencies or institutions of higher education to ensure employees receiving payments from multiple state agencies are being properly compensated. See [Texas Government Code, Chapter 667](#). Also, auditors recommend the University follow up with dually employed employees to ensure they renew the outside employment request if applicable.



## University Response

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*Human Resources will obtain and review the State Employees Employed by More than One State Agency report on a monthly basis to identify potential employees being paid from multiple state agencies. If identified, the university will continue to coordinate with other agencies and follow up with the employee to ensure the required outside employment request form is current.*

## Purchase Transactions

Auditors developed a representative sample of 25 purchase transactions, 10 real property improvements and construction transactions, and 10 books and reference material transactions to ensure that the University complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes.

The University paid \$3,305.39 in related prompt payment interest during the audit period.

## Payment Scheduling

During the audit, auditors identified five transactions where the University paid early, resulting in interest loss to the state's treasury. [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's treasury.

Per the University, one of the early payments in the purchase sample was due to an incorrect baseline date in USAS. The data in its Enterprise Resource Planning (ERP) systems was correct, so it was unclear how that date was used in USAS. The other early payment in the purchase sample was rushed due to an error in request from the department at year-end when backdating was allowed and should not have impacted the payment due date. Per the University, since it is not in Austin, to satisfy the 30-day requirement while allowing for holidays/weekends, the check pickup/transportation time was built into its accounts payable process so payments would not actually be in the mail to the payee after 30 days. Although the check date would be correct, the University's interpretation of statute was that the checks would then be considered late. The University's built-in process consists of a five-day window on the requested date relating to the timing needed for payments that are mailed by the Comptroller's office, so they can be mailed by the due date. The three early payments made under the real property improvements and construction sample were also due to the five-day window process the University put in place.





## Recommendation/Requirement

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To minimize the loss of earned interest to the state's treasury, the University must schedule all payments that exceed \$5,000 for the latest possible distribution and in accordance with its purchasing agreements. See [eXpendit – Payment Scheduling](#). In addition, the University does not need to make alterations to due dates to account for holidays, weekends, check pickup and transportation time.

## University Response

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*The software program used to submit the payment data from SAP to USAS was modified to eliminate the requirement for the request date to be five days before the payment date. The two dates will be the same on the USAS file and will be determined from the baseline date in SAP. This change was made to both payment methods submitted to USAS (i.e., check and direct deposit).*

## Refund of Revenue Transactions

Auditors developed a representative sample of five refund-of-revenue transactions to ensure the University complied with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Grant Transactions

Auditors developed a representative sample of five grant transactions to ensure the University complied with the state laws and regulations pertaining to grants/loans and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Security

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

## Failure to Request Security Access Removal

During the audit period, two employees terminated employment with the University. The University failed to submit a request to remove both employees' security access in USAS on or before the date the employees' authority to approve the agency's expenditures was revoked. The request to remove the employee from the signature card was sent 175 days late for the first employee, and three days late for the second employee. The employees could potentially approve vouchers that the University submitted electronically to the



Comptroller through USAS after the employees' authority expired. Any payment approved by an employee whose security has been revoked would constitute an unapproved expenditure. Auditors ran a report and determined that no unapproved documents were processed during the audit period.

Per the University, one of the employees transferred to a primary Texas State University System agency and the University immediately submitted the revoke request but did not submit a termination request, because the transferring University was part of the University System and the position required USAS access. The second

employee required access through the end of the last day of employment. The revoke request occurred on a Friday but the termination request was not submitted until the following business day, Monday. The University stated that going forward, the revoke request and the termination request notification will both occur on the last day of employment.

When an employee's authority to approve an agency's expenditures is revoked for any reason, the employee's security profile must be changed not later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

## Recommendation/Requirement

The University must ensure compliance with the terminated employee security revocation requirements. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the employees' terminations on or before the dates the revocations become effective and follows through with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.

## University Response

*USAS security revocation and USAS termination have been added to internal separation checklists, requesting subsequent positive confirmation from the USAS security coordinator on that same day.*

## Internal Control Structure

The review of the University's internal control structure was limited to obtaining reports identifying current users' access. The review did not include tests of existing mitigating controls. Audit tests revealed no internal control structure exceptions.

## 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 University's internal system. All assets tested were in their intended location and properly tagged.



# Appendices

## Appendix 1 — Objectives, Scope, Methodology, Authority and Team

### Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the Uniform Statewide Accounting System (USAS) and either:
  - The Uniform Statewide Payroll/Personnel System (USPS),
  - The Standardized Payroll/Personnel Report System (SPRS) or
  - The Human Resource Information System (HRIS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

### Audit Scope

Auditors reviewed a sample of the Texas State University (University) 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.

***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 University receives appendices with the full report, including 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.



## Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit.

## Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based upon the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what course of action or additional procedures would be appropriate.

## Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

## Audit Team

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*Max Viescas, CPA*

*Eunice Miranda, CTCD*

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*Steve Tamez*



## Appendix 2 — Definition of Ratings

### Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant

### Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented.  These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

### Repeat Finding

Definition	Icon
This issue was identified during the previous post-payment audit of the agency.	