An Audit of

The University of Texas Health Science Center at San Antonio

Audit Report # 745-18-01

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Texas Comptroller of Public Accounts

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Executive Summary

Purpose and Scope

Objectives of the University of Texas Health Science Center at San Antonio (Center) audit were to determine whether:

- Contracts were procured according to applicable state laws and Comptroller requirements.
- 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 was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from March 1, 2017, through Feb. 28, 2018.

Background

The University of Texas Health Science Center at San Antonio serves patients in San Antonio and South Texas. More than 3,000 students, researchers and post-doctoral students from around the world attend the Center to study, research and discover new breakthroughs.

The University of Texas Health Science Center at San Antonio website:

http://www.uthscsa.edu/

Audit Results

The Center generally complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with payroll transactions and property management. However, the Center should consider making improvements to its purchase/procurement, travel and security processes. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the General Appropriations Act (GAA), other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Purchase Transactions	Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	Missing statutory authority.	Compliant, Findings Issued
Contracting and Procurement Process	Did the contracts and related payments comply with the GAA, Center internal policies and procedures, best practices and other pertinent statutes?	• Incomplete conflict of interest disclosure. • Missing Comptroller's office Debarred Vendor List verification.	Compliant, Findings Issued
Travel Transactions	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	Lack of conservation of state funds. • Incorrect travel reimbursement.	Compliant, Findings Issued
Fixed Assets	Were tested assets in their intended location and properly reported in the Center's internal system?	No issues	Fully Compliant
Internal Control Structure	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	• One employee can create/edit a vendor in the Texas Identification Number System (TINS) and enter/edit payment vouchers in the Uniform Statewide Accounting System (USAS). Two employees can adjust vendor profiles in TINS and approve vouchers. • Three employees can pick up warrants and approve vouchers.	Control Weakness Issues Exists

Repeat Finding

Area	Audit Question	Results	Rating
Security	Are Center employees who are no longer employed, or whose security was revoked, properly communicated to the Comptroller's office?	One employee retained the security to expend funds after their authority expired. • Two Confidential Treatment of Information Acknowledgement (CTIA) forms could not be located by the Center. • One CTIA form was signed after the initial connect date.	Control Weakness Issues Exist

Repeat Finding

Key Recommendations

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

- The Center must enhance its review of purchase vouchers submitted into USAS for reimbursement to ensure expenditures comply with the GAA and with state laws and rules.
- The Center must enhance procedures to ensure travel voucher expenditures submitted into USAS for reimbursement comply with state laws and rules and are the most cost efficient.
- The Center must ensure the Conflict of Interest Disclosure form is completed by procurement and contract management personnel prior to any purchasing activity.
- The Center must enhance procedures to ensure the Debarred Vendor Status verification is conducted prior to awarding a contract.
- The Center must ensure that it has controls in place to segregate accounting duties to the greatest extent possible, to ensure the CTIA form is properly retained, and to notify the Comptroller of terminations of employees on its signature card.

Detailed Findings

Payroll Transactions

Auditors developed a representative sample from a group of 30 employees consisting of 150 payroll transactions totaling $812,649.69 to ensure the Center complied with the GAA, the [Texas Payroll/Personnel Resource (FPP F.027)] and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions. Additionally, a limited sample of 21 voluntary contribution transactions were audited with no exceptions identified.

Purchase Transactions

Auditors developed a representative sample of 25 purchase transactions totaling $35,321.15 to ensure the Center complied with the GAA, [eXpendit (FPP I.005)] and other pertinent statutes. Audit tests revealed the following findings.

Missing Statutory Authority for Reimbursment

Auditors identified one purchase transaction and six travel transactions where the Center expended funds without specific statutory authority. The Center paid $17,020 for student housing and $1,346.03 for student travel.

The Center could not provide specific statutory authority to pay the housing and travel for students. According to the Center, this error is due to a recurring inconsistency between an approved special-item state appropriation for South Texas programs and the statutory authority to expend the appropriation on instructional costs, including student housing and travel. The Center indicated it requested such authority during the previous legislative sessions but it was not granted. Because the Legislature did not grant the authority for these expenditures, the Center may not use state-appropriated funds for these types of expenses.

An institution of higher education may not use appropriated funds to pay student travel expenses unless there are specific provisions in state law that allow it to do so.

> [Texas Government Code Section, 660.003(e)(2)] states that a state agency may pay or reimburse a travel expense only if the purpose of the travel clearly involves official state business and is consistent with the agency's legal authority. As a general rule, and with limited exceptions, state appropriations used for travel expenses are limited to state employees. Payments from appropriated funds are subject to the provisions of [Texas Government Code, Chapter 660].

Recommendation/Requirement

The Center must research any future purchase or travel expenses to ensure proper statutory authority exists before expending funds for the expense. If the Center would like to use appropriated funds for student expenses, it must seek specific authority from the Legislature. Should the Legislature not grant specific authority for these expenditures, the Center must use a local funding source. The Center must reimburse the state's treasury for the funds expended without legal authority.

Center Response

The confusion over statutory authority referenced in this finding is contradictory to legislative funding authorizations the university has received for the Regional Campus Laredo and the Regional Academic Health Center (RAHC). Based on the Texas General Appropriations Act, we believe that we have accurately interpreted the intent of the Texas Legislature for us to operate South Texas instructional programs with appropriated funds, including spending the funds as needed on student travel. The UTHSCSA will continue to seek explicit clarification from the Texas Legislature with edits to the Texas Government Code to eliminate the current appearance of contradiction between statutory language and state appropriations. With the establishment of the new medical school in the UT Rio Grande Valley (UTRGV), the former funding authorizations for the RAHC have been discontinued. The RAHC activity has been entirely transferred from UTHSCSA to UTRGV.

Comptroller Response

We appreciate the Center's planned efforts to seek explicit clarification from the Texas Legislature and modification to the Texas Government Code relating to this issue.

However, at the time the Center expended the $18,366.03 in question for student housing and student travel, the Center had an appropriation authority, but did not have the appropriate general law authority to pay using state funds. The Center has the ability to pay these expenses using institutional funds if it chooses to do so.

In order for the Center to be able to expend appropriated funds, the Center must have both:

1. Appropriation authority (see Art. VIII, §6, *Texas Constitution*, which provides that funds may not be drawn from the treasury unless they are drawn pursuant to a specific appropriation); and
2. Pre-existing general law authority (see Art. III, §44, *Texas Constitution*, which prohibits the Legislature from appropriating funds unless authorized by pre-existing general law).

The Comptroller's office maintains that the Center must reimburse the treasury for all funds expended without legal authority.

Contracting and Procurement Process

Two vendor purchase orders/contracts totaling $179,831.18 and $181,755.75 were reviewed. All phases of contract development, planning, solicitation, award, payments and monitoring were reviewed for compliance with the GAA, Center internal policies and procedures, best practices and other pertinent statutes. Audit tests revealed the following findings.

Incomplete Conflict of Interest Disclosure Statement

The Center did not provide a conflict of interest disclosure statement signed by procurement and contract management personnel before engaging in any purchasing activity for one purchase voucher. The Center stated this was due to oversight.

Texas Government Code, Section 2261.252(a) states that each state agency employee or official who is involved in procurement or contract management must disclose any potential conflict of interest that is known by the employee with respect to any contract or bid with a private vendor.

Texas Government Code, Section 2261.252(a-1) states that each agency employee or official is required to disclose any potential conflict of interest specified by state law or agency policy that is known by the employee or official at any time during the procurement process or the term of a contract with a private vendor.

> **Texas Government Code, Section 2151.002. DEFINITION.**
>
> Except as otherwise provided by this subtitle, in this subtitle, "state agency" means: (1) a department, commission, board, office, or other agency in the executive branch of state government created by the state constitution or a state statute; (2) the supreme court, the court of criminal appeals, a court of appeals, or the Texas Judicial Council; or (3) a university system or an institution of higher education as defined by Section 61.003, Education Code, except a public junior college.

It is best practice for the Non-Disclosure and Conflict of Interest Certification form for contract developers and purchasers to be signed on a regular basis. The timing of when the certification must be signed on a periodic basis (e.g., every fiscal year, calendar year, employment date anniversary) can vary according to each agency's policy.

Recommendation/Requirement

The Center must ensure that its procurement and contract management personnel complete and sign conflict of interest disclosure statements prior to engaging in any purchasing activity.

Center Response

The unsigned conflict of interest disclosure in question was part of an Exclusive Acquisition Justification (EAJ) form. Buyers in the Purchasing Department have been directed not to process any procurements supported by an EAJ that is not completely executed by both the primary user and the associated business officer. All EAJ-supported purchases are reviewed by purchasing managers who will ensure the form is complete before processing.

Debarred Vendor Status Not Verified

The Center failed to verify whether the vendor had been debarred by the Statewide Procurement Division (SPD) for the two contracts. According to the Center, it relied on the Comptroller's automated warrant/payment hold check without referring to the Comptroller's Debarred Vendor List.

> Texas Government Code, Section 2155.077(a) states that the Comptroller may bar a vendor from participating in state contracts that are subject to this subtitle, including contracts for which purchasing authority is delegated to a state agency…

The Center must check the Debarred Vendor List posted on the Comptroller's website to establish that the vendor has not been debarred by SPD. An agency may not award a contract to a debarred vendor. The Center was unaware of this requirement.

Recommendation/Requirement

The Center must enhance procedures to ensure the debarred vendor status is verified before awarding a contract to a vendor.

Center Response

Effective Feb. I, 2019, UTHSCSA will implement a policy for procurement staff, when completing the contracting checklist for a purchase order, to indicate that the Debarred Vendor List was reviewed, to ensure that the supplier to be contracted is not on the list.

Travel

Auditors developed a representative sample of 25 travel transactions totaling $4,498 to ensure the Center complied with the GAA, other relevant statutes and Comptroller requirements. Audit tests revealed the following exception in travel transactions.

Lack of Conservation of State Funds

Auditors identified one travel transaction where the Center reimbursed travelers for mileage while operating a personal vehicle to conduct official business. However, based on the applicable car rental rates, related taxes, cost of gas and the standard mileage rates, it would have been more cost beneficial to the state if the travelers had used a rental vehicle instead of a personal vehicle. The Center's procedures require travelers to prepare a cost comparison of rental car versus personal vehicle prior to travel. The Center stated that it failed to document the traveler's justification for using a personal vehicle.

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. Supporting documentation must be made available to the Comptroller's office. See 34 Texas Administrative Code Section 5.51(e)(2)-(3).

Recommendation/Requirement

The Center must exercise caution in its use of state funds and ensure its expenditures are fiscally responsible. The Center should update its policies and procedures to implement a cost-analysis policy to ensure it uses the most cost-efficient method of travel.

Center Response

The Center has re-emphasized the continued use of guidelines set forth in the institutional Handbook of Operating Procedures (HOP) to ensure travel is planned and carried out in a manner in which maximum economy and efficiency are achieved. The necessary documentation of justification and purpose for exceeding this guidance is required. In this instance the documentation was not obtained. This matter has been addressed with all team members.

Incorrect Travel Reimbursement

Auditors identified two travel transactions where the Center reimbursed employees for meals that were in excess of the allowable reimbursement rate for the location based on the U.S. General Services Administration (GSA) rates. The Center stated that it incorrectly selected the applicable GSA rate for reimbursement.

Employees may only be reimbursed actual meal expenses not to exceed the maximum meal reimbursement rate for that location. Agencies must use the federal rates provided by the GSA for both in-state and out-of-state travel within the contiguous United States. See Textravel (FPP 6.005) – Meal Reimbursements.

Recommendation/Requirement

The Comptroller's office recommends that the Center enhance its review process of travel vouchers submitted into USAS for reimbursement to ensure only expenditures that comply with state laws and rules are included. The Center must ensure that all employees who travel are aware of the allowable reimbursement rates.

Center Response

Employees and Accounts Payable Agents are aware of and regularly utilize the General Services Administration (GSA) website. In this case, the agent inadvertently did not retrieve the newly published GSA fiscal year rates. The Center has re-emphasized the use of the appropriate rate chart with the team. The university will refund $21.13 to the state's treasury in response to this finding.

Fixed Assets

Auditors developed a representative sample of five transactions of fixed assets acquired by the Center during the audit period to test for proper tracking in the Center's internal system. All assets tested were in their intended location and properly tagged.

Internal Control Structure

Control Weakness over Expenditure Processing

As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the Center placed on its accounting staff's ability to process expenditures. Auditors reviewed the Center's security in USAS, TINS, and voucher signature cards that were in effect on July 26, 2018. Auditors did not review or test any internal or compensating controls that the Center might have relating to USAS or TINS security or internal transaction approvals.

The Center had four employees with multiple security access capabilities within USAS and TINS.

The multiple security capabilities for the four employees are listed below:

- Two employees can adjust vendor profiles in TINS and approve paper vouchers.
- One employee can create/edit a vendor in TINS and enter/edit payment voucher in USAS.
- Three employees can pick up warrants from Comptroller's office and approve paper vouchers.

Auditors 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 person. There were no documents that were either entered and approved, or altered and approved, by the same person without another person's electronic oversight.

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.

Auditors strongly recommend that the Center implement the following:

- Limit user access by removing the user from the Agency Authorization for Warrant Pickup list or by removing the user from the agency's signature card.
- Limit the access of users who can approve paper vouchers by (being on the signature card) to view-only access in TINS (PTINS02). An individual must not be able to change a vendor/employee profile or direct deposit information and approve a payment.
- Limit the access of users who can enter/change vouchers or release/approve batches 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

A security authorization request was completed in October to remove two individual security permissions indicated in the audit; no other users who are able to release batches are able to create or modify vendors. We have limited agency authorization for warrant pickup to one individual who does not process USAS transactions. Local documentation has been updated to ensure this overlapping access is not requested in the future.

The agency flag in screen D02 of USAS has long been set to prevent, at the system level, any single-user processing. USAS will reject release by a user of any batch that has been entered or altered by that same user.

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. All seven employees on the Center's signature cards were reviewed, including one employee who was terminated during the audit period. Upon termination or revocation, certain deadlines must be observed so security can be revoked in a timely manner. Audit tests revealed the following security exceptions.

Failure to Notify Comptroller to Remove Employee from Signature Card

During the audit period, the Center failed to timely notify the Comptroller's office about the termination of one employee who had been designated to approve its expenditures. The request to remove the employee from the signature card was sent 173 days late because the Center never notified the Comptroller's office. This means that the former employee could have approved paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by a paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. Auditors determined no unapproved documents were processed during the audit period. The Center has procedures to notify the security coordinator of personnel actions. In this instance, the request to remove the employee's signature card was delayed.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. Any officer or employee may send the Comptroller's office that notification. See 34 Texas Administrative Code Section 5.61(k)(3)(B).

Recommendation/Requirement

The Center 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 employee terminations on or before the dates the revocations become effective and follows up with the Comptroller's office to verify receipt of the notification and ensure the revocation occurred.

Center Response

Users and their supervisors will be provided yearly written guidance to inform the security coordinator immediately regarding any termination or other job change that no longer requires access to USAS and related systems. Access will be revoked, the appropriate security request processed online no later than the last day access is needed, and, if applicable, the user removed from the signature card within statutory time limits.

Missing Confidential Treatment of Information Acknowledgment Form

As a routine part of the security review, auditors evaluated the Center's compliance with the requirement that all users of the Comptroller systems complete a Confidential Treatment of Information Acknowledgment (CTIA) form. When a new user needs access to Comptroller systems, the Center's security coordinator must first have the user read and sign the CTIA form. A reviewing official also signs the form, which the Center's security coordinator keeps on file for as long as the user has access to the systems, plus five years. Two forms out of 10 reviewed could not be located by the Center and one form provided was signed after the user's initial connect date. According to the Center, it was unable to locate the missing forms and acknowledged that one form was not signed in a timely manner due to an office relocation and employee turnover.

Recommendation/Requirement

The Center must enhance its procedures to ensure the original CTIA form is kept on file as long as the user has access to the statewide accounting systems, plus the five-year retention period.

Center Response

User tracking has been moved to an electronic format and paper CTIA forms consolidated. Both factors will simplify management and retrieval of CTIA compliance information.

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 any of the following:
  - Uniform Statewide Accounting System (USAS),
  - The Uniform Statewide Payroll/Personnel System (USPS),
  - The Standardized Payroll/Personnel Report System (SPRS),
  - The Human Resource Information System (HRIS) or
  - The Centralized Accounting and Payroll/Personnel System (CAPPS).
- 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 University of Texas Health Science Center at San Antonio (Center) payroll, purchase and travel transactions that processed through USAS during the period from March 1, 2017, through Feb. 28, 2018, 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 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 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.

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 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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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 Icon Definition

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