



An Audit of the **University of Texas at Dallas**

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Executive Summary

Purpose and Scope

Objectives of the University of Texas at Dallas (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 was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Sept. 1, 2016, through Aug. 31, 2017.

Background

The University of Texas at Dallas enrolls more than 28,750 students — 19,872 undergraduate and 8,885 graduate — and offers a broad array of bachelor's, master's and doctoral degree programs.

University of Texas at Dallas
website

<https://www.utdallas.edu/>

Established by Eugene McDermott, J. Erik Jonsson and Cecil Green, the founders of Texas Instruments, UT Dallas is a young institution driven by the entrepreneurial spirit of its founders and their commitment to academic excellence. In 1969, the public research institution joined the University of Texas System and became The University of Texas at Dallas.

Audit Results

The University generally complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with purchase/procurement, security processes and internal control structure. However, the University should consider making improvements to its payroll processes. The auditors noted no recurring issues from the prior post-payment audit issued in April 2015. 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? | <ul style="list-style-type: none"> • Incorrect Months of Service/Incorrect Longevity Pay Amounts. • Incorrect HRIS Reporting. | Compliant, Findings Issued |
| Purchase/ Procurement Transactions | Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements? | No issues | Fully Compliant |
| Internal Control Structure | Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud? | No issues | Fully Compliant |
| Security | Did all system access to process payments comply with all the Comptroller security guidelines? | No issues | Fully Compliant |
| Fixed Assets | Were tested assets in their intended location and properly reported in the State Property Accounting System? | No issues | Fully Compliant |

Key Recommendations

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

- 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 students.
- The University should implement procedures to ensure that the employees do not receive a full month of service credit for a partial month of employment.
- The University must ensure that all payroll and personnel financial transactions are reported to the Human Resource Information System (HRIS) in an accurate and timely manner.



Detailed Findings

Payroll Transactions

Auditors developed a representative sample from a group of 50 employees involving 136 payroll transactions totaling \$494,439.48 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 faculty staff receiving incorrect longevity payments, as well as a report that identifies variances between what the University posted on HRIS versus what the University paid out of the Uniform Statewide Accounting System (USAS). Additionally, a limited sample of five voluntary contribution transactions were audited with no exceptions identified. Audit tests revealed the following exceptions in the payroll transactions.

Incorrect Prior Effective State Service Date/Incorrect Longevity Payment

Auditors identified three employees with incorrect payments of longevity pay. The first employee had prior months of service at the University and was rehired in July 2005. The employee became a university police officer on Jan. 1, 2008, but was not commissioned, and thus was not considered to be in a hazardous duty eligible position until June 13, 2008. As of his commissioned date, the employee had four years and four months of state service and was eligible for \$40 a month in longevity pay. When calculating the rate at which the employee's longevity amount should be frozen upon transferring to a hazardous duty eligible position, the University calculated the months of state service on the date the employee moved to the police officer position instead of the date the employee was commissioned and considered to be in a hazardous duty pay position. As a result, the University froze the employee's longevity at \$20 per month instead of \$40 per month, resulting in an overall longevity underpayment of \$2,580.

The second employee was initially hired at the University on Sept. 1, 1998, with breaks in service. Auditors identified incorrect accounting of months of prior state service, resulting in an overall longevity underpayment of \$80. Per the University, the underpayment was caused by a service conversion issue when the University converted systems in 2011.

The third employee was rehired at the University on Aug. 22, 2016, with prior state service. Auditors identified an incorrect account of months of prior state service, resulting in an overall longevity overpayment of \$500. Per the University, when employee record numbers in PeopleSoft are changed, the job indicator showing primary/secondary should only be changed if the record change is on the same effective date. In this case, the employee's Sept. 1, 2014, record row was changed incorrectly. Per the University, the Lonestar page that tracks service eligible for longevity and vacation



accruals reads these indicators at the University to track breaks correctly. The records technician at the University reviews these indicators when working through prior state service forms, but the indicator was missed the year the employee returned.

As a result of the audit, the University corrected its internal system to include the correct months of service. The University has made the required leave accrual adjustments and will compensate the two employees for the underpayments of longevity pay as well as recoup the overpayment from the third employee in the next payroll.

An employee may receive longevity pay for the month in which he or she has accrued at least two years of lifetime service credit by 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 service and whether the employee has been in a hazardous duty position. If prior state service or hazardous duty employment exists, the agency must confirm the amount of lifetime service credit and hazardous duty service credit, and properly record it or risk incorrectly paying longevity or hazardous duty pay. In addition, eligible employees earn hazardous duty pay based on the number of years they work in hazardous duty positions. The employee continues to receive longevity pay based on the years worked in a non-hazardous duty position. See [Texas Payroll/Personnel Resource – Longevity Pay](#).

Recommendation/Requirement

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

A process has been implemented to verify the prior state service of all employees including faculty and student employees using the Prior State Verification form. This information is put in PeopleSoft LoneStar page and is being used to calculate longevity pay based on calculated service dates. Longevity calculations are automatically done in the systems based on verified number of years of service. From time to time, manual intervention is required to ensure a calculation is accurate for retro adjustments. Monthly longevity audit reports are generated and audited for accuracy of longevity payments. Any discrepancies found are calculated and sent to payroll for adjustments (retro or refund). The hazardous pay is calculated manually based on the information provided by the Police Department. Eligibility confirmation from the Police Department



is done by the Benefits Department before applying the hazardous pay on an ongoing basis. When employees provide us with adjusted prior state service at a later period, prior state service is reverified and, if applicable, longevity and vacation accrual will be recalculated.

Incorrect HRIS Reporting

In a report generated outside of the payroll sample, auditors reviewed variances between the payroll payments processed in USAS during the audit period versus the payments the University reported in HRIS. The report lists the 50 employees selected in the payroll sample. All 50 employees had variances between the USAS amounts and the HRIS amounts. For six out of the 50 employees, the HRIS gross amount reported was greater than the USAS amount. For the remaining 44 employees, the USAS amount was greater than the HRIS gross amount reported.

The University was not in compliance with the statutory reporting requirements for institutions of higher education. During the audit period, the University was 52 percent current in personnel reporting and 2.3 percent current in payroll reporting. The Comptroller's Statewide Fiscal Systems department contacted the University in December 2016 and requested the University stop reporting data until the issues with their interface to HRIS were fixed. The University was required to pre-test all HRIS personnel and payroll files before sending them to HRIS production. Statewide Fiscal Systems worked closely with the University to fix the issues.

Per the University, the discrepancies between the USAS and HRIS systems were mainly caused by the delay in reporting of some HRIS information. The reporting should now be up to date. In addition, a few employees had higher HRIS amounts than USAS due to the fact that additional funding sources (local funds) were used and not submitted to USAS for reimbursement.

Per Statewide Fiscal Systems, as of July 2018, the University had sent all missing personnel data and was current in personnel reporting. Moreover, the University has sent all missing fiscal 2017 payroll data through the May 2018 pay date, only being one month behind. The University is expected to be current on its reporting by Aug. 31, 2018.

The Comptroller's office collects and maintains payroll and personnel information for 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 Sections 5.41\(h\)-\(i\)](#). If the Comptroller's office detects an error in a state agency's report of personnel or payroll information, 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.



Recommendation/Requirement

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

University Response

This recommendation has been completed. Internal HRIS reporting tools and systems were improved to ensure that HRIS reports are accurate and submitted in a timely manner. Specifically, UTD updated several internal processes within our HCM system to ensure the correct HRIS job number is selected and reported. These changes have allowed us to make our monthly reports timely with minimal corrections needed each month.

Purchase/Procurement Transactions

Auditors developed a representative sample of 40 purchase/procurement transactions totaling \$131,166.13, 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. Audit tests identified no findings.

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. As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the University placed on its accounting staff's ability to process expenditures. Auditors reviewed the University's security in USAS, the Texas Identification Number System (TINS) and voucher signature cards that were in effect on Nov. 30, 2017. The auditors did not review or test any internal or compensating controls that the University might have relating to USAS or TINS security or internal transaction approvals. The audit tests revealed no findings.

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. Audit tests identified no findings.



Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for proper tracking in the University's internal system. All assets tested were in their intended location, properly tagged, and properly recorded in the State Property Accounting system. No findings were identified.



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) 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 University of Texas at Dallas (University) payroll and purchase and transactions that processed through the Uniform Statewide Accounting System (USAS) during the period from Sept. 1, 2016, through Aug. 31, 2017, to determine compliance with applicable state laws.

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.

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 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 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.