



# An Audit of the University of Texas Rio Grande Valley

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# Executive Summary

## Purpose and Scope

Objectives of the University of Texas Rio Grande Valley (University) 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 Dec. 1, 2016, through Nov. 30, 2017.

## Background

The University of Texas Rio Grande Valley was created by the Texas Legislature in 2013. This provided an opportunity to expand educational opportunities in the Rio Grande Valley, including the new UTRGV School of Medicine, which welcomed its first class in summer 2016. The University has campuses throughout the Rio Grande Valley, making it the second-largest Hispanic-serving institution in the nation.

**The University of Texas Rio Grande Valley website:**

<https://www.utrgv.edu/en-us/>

## Audit Results

The University generally complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with payroll, travel, refund of revenue, grants, payment card, or property management transactions. However, the University should consider making improvements to its purchase, contract, internal control structure and security processes. The following table summarizes audit results.

## Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Purchase/ Procurement Transactions</u>	Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Freight not on purchase order.</li> <li>• Purchase order created after invoice.</li> <li>• Missing statutory authority for purchase.</li> </ul>	Compliant, Findings Issued
<u>Contract Transactions</u>	Did the contracts and related payments comply with the GAA, University internal policies and procedures, best practices, and other pertinent statutes?	Lack of conservation of state funds.	Compliant, Findings Issued
Travel Transactions	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Refund of Revenue Transactions	Did refund of revenue transactions comply with all pertinent statutes and Comptroller security guidelines?	No issues	Fully Compliant
Grant Transactions	Did grant payments comply with the state laws and regulations pertaining to grants/loans and other pertinent statutes?	No issues	Fully Compliant
Payment Card Transactions	Did payment card purchase transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended location, properly tagged and properly reported in the University's internal system?	No issues	Fully Compliant



Area	Audit Question	Results	Rating
<u>Internal Control Structure</u>	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	<ul style="list-style-type: none"><li>• One employee can process and release payments through USAS.</li><li>• One employee can process and release payments in the internal system and USAS.</li><li>• One employee can process and release payrolls.</li><li>• Two employees can adjust vendor profiles in TINS and approve vouchers.</li></ul>	Control Weakness Issues Exist
<u>Security</u>	Are University employees who are no longer employed, or whose security is revoked, properly communicated to the Comptroller's office?	<ul style="list-style-type: none"><li>• Failure to notify Comptroller to remove employee from signature card.</li><li>• Failure to request security access removal.</li></ul>	Control Weakness Issues Exist

## Key Recommendations

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

- A purchase order is an agreement entered into by the state and the vendor. The University must pay only the contracted amount shown on the purchase order.
- The University must enhance its review process of purchase and travel vouchers submitted into Uniform Statewide Accounting System (USAS) for reimbursement to ensure only expenditures that comply with the GAA, other pertinent statutes, and Comptroller's office requirements are processed.
- To reduce risk to state funds, agencies must establish controls over expenditure processing that separate each accounting task to the greatest extent possible.
- The University must enhance procedures to notify the Comptroller's office to remove terminated employees from the signature card.



# Detailed Findings

## Payroll Transactions

Auditors developed a representative sample from a group of 30 employees involving 123 payroll transactions totaling \$733,464.11 to ensure the University 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. A limited sample of 15 voluntary contributions transactions were also audited with no exceptions identified.

## Purchase/Procurement Transactions

Auditors developed a representative sample of 20 purchase transactions totaling \$29,084.65 to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#) and other pertinent statutes. Audit tests revealed the following exceptions.

### Freight Not on Purchase Order

Auditors identified one purchase transaction where freight was paid even though it was not included on the purchase order. The freight amount on the invoice included charges for shipping and handling. Unless specifically identified on the original purchase order, these charges should not be paid by the University.

The University has an internal policy in place that allows Accounts Payable to pay purchase order overages up to 10%, not to exceed \$100. As a result of this audit, the University has adjusted its internal policy to use only local funds, not state funds, to pay overages. For purchase orders using state funds, the University will only pay the amount listed on the original purchase order.

### Recommendation/Requirement

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A purchase order is an agreement entered into by the state and the vendor. The University must pay only the contracted amount shown on the purchase order.

### University Response

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*UTRGV has an internal policy that allows Accounts Payable to pay PO overages of up to 10% of the order, not to exceed \$100. Rather than short pay invoices, this allows Accounts Payable to pay the full amount of the invoices and process payments in a timely manner without further approvals. This reduced approval redundancies and allowed us to improve efficiencies of our business processes. Effective Aug. 1, 2018, we*



*have since adjusted this business process to only apply to local funds overages. For state-funded POs, UTRGV is only paying up to the amount listed on the original PO. This will allow the state and the vendor to be in compliance with the PO agreement.*

*Additionally, Procurement implemented a training at the beginning of FY 2019 to ensure line items for freight are to be included with the POs as applicable.*

## Purchase Order Created After Invoice

Auditors identified one instance where the purchase order was not created until after the invoice was received. The University's procedures mandate the creation of a purchase order before goods or services are ordered, but also have a form that departments can use for after-the-fact requests.

Without a purchase order with the vendor at the time the goods or services were ordered, it is difficult to assert that the state agency obtained the goods or services it agreed to purchase beforehand. See [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), which states that it is the general responsibility of a state agency, its officers and employees to ensure it maintains proper documentation.

As a result of this audit, the University stated it will only use after-the-fact requests for non-state funds contracts.

## Recommendation/Requirement

While a formal purchase order is not always required, documentation of the agreement must be prepared at the time the goods or services are ordered from the vendor. The purchase order should include the terms, conditions and specifications of the agreement, as well as any vendor exceptions that have been accepted. The purchase order number must be referenced on all bills of lading, packing slips, back orders, invoices and other transactional documents.

## University Response

*Procedures have been established for a campus-wide training program addressing the importance of having purchase orders in place prior to receiving goods or services. This training is mandatory for all employees with Requestor roles within the Procurement system.*

## Missing Statutory Authority for Purchase

Auditors identified one instance where the University paid for yoga training sessions for medical students using appropriated funds. For these types of services, the University would need specific statutory authority.



State agencies are responsible for determining if they have statutory authority to purchase a good or service before entering into a purchase contract. Specific statutory authority is clearly specified in statute. Implied statutory authority must be determined by the purchasing agency, and the agency must demonstrate the purchase is necessary to fulfill its specific statutory duties. See [eXpendit – Statutory Authority for Purchases](#).

As a result of this audit, the University's Accounts Payable staff has been provided [eXpendit](#) reference material and instructions to research questionable expenditures prior to paying the invoice.

## Recommendation/Requirement

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The University must update its policies and procedures to ensure that it does not purchase goods or services that it does not have statutory authority to purchase.

## University Response

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*An Accounts Payable (AP) departmental meeting was held on Aug. 7, 2018, where AP staff was provided reference materials, the "eXpend it" link, and instructions to research questionable expenditures prior to processing payments.*

*Furthermore, immediately upon notification of noncompliance, the School of Medicine (SOM) notified account managers that state funds were prohibited from being used to fund student wellness and support activities.*

*Lastly, Procurement continues to provide training to reemphasize funding source requirements for state funds, grant funds, federal funds, etc.*

## Contract Transactions

Auditors reviewed payments and the monitoring process for compliance with the GAA, University internal policies and procedures, best practices and other pertinent statutes on two contracts that were procured by the University of Texas System. Audit tests revealed the following exception.

## Lack of Conservation of State Funds

Auditors identified one contract with the following exceptions:

- Professional services and administrative flat fees charged by the vendor were incorrect.
- Overhead expense charges were duplicated.
- Reimbursement of travel expenses violated state travel rules stated in the contract.
- The cap for travel expenses exceeded the contracted amount without amendment.
- The overall contract limit exceeded the contracted amount without amendment.

The University stated this was due to oversight by the contract administrator.



A state agency should design and implement procedures to detect and report double billing by contractors, and monitor performance under a contract to verify that comparable costs are charged for comparable goods and services. A state agency may modify a contract but may not agree to make additional payments without receiving an added benefit in return. Additional funds for contractual performance already required by an existing contract may not be paid by a state agency without amendment. See [eXpendit – Payments under Modified Contracts](#). The [State of Texas Procurement and Contract Management Guide](#), Contract Management – Contract Manager Responsibilities states that the contract manager is responsible for ensuring contract requirements are satisfied, goods and services are delivered in a timely manner, and the financial interests of the agency are protected.

According to [Texas Government Code, Section 660.007\(a\)](#), a state agency must minimize the amount of travel expenses paid by the agency. The agency must ensure each travel arrangement is the most cost effective considering all relevant circumstances.

## Recommendation/Requirement

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The University must seek the following:

- Adjustment of the professional fee in light of the actual compensation of the hired executives.
- Reimbursement from the contractor for administrative fees billed.
- The flat administrative fee established under the University of Texas System master contract.
- Documentation from the contractor for travel expenses not supported with documentation (or refund of the travel expenses to the extent practicable).
- Reimbursement from the contractor for travel costs in excess of state rates or prohibited under state travel rules.

## University Response

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*SOM management is fully aware of the issues and has discussed these in meetings with managers to prevent future occurrences. A reimbursement was received from the vendor for administrative fees billed over the contract amount as well as travel costs in excess of the state rate or prohibited under state travel rules.*

*Procurement implemented a Contracts Administrator certification process beginning October 2018 to ensure contract administrators comply with the following statements:*

*As the Contract Administrator for this contract, your responsibilities include, but may not be limited to, the following:*

- *Review invoices for accuracy prior to authorizing payment.*
- *Review reimbursement of travel expenses as per contract and state guidelines.*



## Travel Transactions

Auditors developed a representative sample of 30 travel transactions to ensure the University complied with the GAA, [Textravel \(FPP G.005\)](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Refund of Revenue Transactions

Auditors developed a representative sample of three refund-of-revenue transactions to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## Grant Transactions

Auditors developed a representative sample of three 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.

## Payment Card Transactions

Auditors developed a representative sample of 10 transactions to ensure the University complied with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

## 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 and properly tagged.

## Internal Control Structure

A 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, Texas Identification Number System (TINS) and voucher signature cards that were in effect on May 14, 2018. 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 that the University had two employees with multiple security access capabilities within USAS and TINS.

The security capabilities for the two employees are:

- Two employees can adjust vendor profiles in TINS and approve paper vouchers.
- One employee can process and release payments through USAS, process and release payments in the internal system and USAS, and process and release payrolls in USAS.

Auditors ran a report of payment documents processed through USAS during the audit period by the action of only one person. There were seven documents that were either entered and approved or altered and approved by the same person without another person's electronic oversight. The auditor reviewed these risky documents and did not identify any issues with the processed payment documents.

## Recommendation/Requirement

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To reduce risks to state funds, agencies must have controls over expenditure processing that separate 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 University implement the following:

- 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 create or change a vendor profile and approve the payment.
- Limit access at the time it is being set up (in the 96A screen) by limiting user access to either enter/change vouchers or release/approve batches, and must set the document tracking control edit on the Agency Profile (D02) to either prevent a user from releasing a batch that the same user entered or altered or warn the user when the same user attempts to release his or her own entries or changes. See [USAS Accounting and Payment Control \(FPP B.005\)](#).
- 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.
- Ensure that employees with voucher/payment entry/change/delete status in the University's internal system are not able to also approve/release payments in the internal system or in USAS. A supervisor or another employee must approve the vouchers in the internal system.
- Work with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions.



## University Response

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*Accounts Payable has since filled the financial manager position, and for control purposes, the duties have been assigned so the financial manager can create but not submit batches, and the director of Accounts Payable Services only approves and releases batches for reimbursement. The director will continue to retain full access to USAS due to limited staffing. In such case that this access is invoked by the director, it will be properly documented during the batch processing.*

*Similarly, Information Technology worked with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions. The University has reviewed the preventive and detective controls over expenditure processing discussed in the Comptroller's policy USAS Accounting and Payment Control (FPP B.005).*

*Due to the limited staffing in the Accounting department, the director of accounting (DOA) is assigned the access to adjust vendor profiles in TINS and approve vouchers as part of her responsibilities of oversight. Since her hire date, the DOA has only released batches and has not adjusted any vendor profiles or approved vouchers. If a batch requires any edits and the USAS financial manager is not available, the DOA will document the action that occurred in the USAS screen 37 as advised by the UTRGV appropriation control officer.*

## 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 security can be revoked in a timely manner. All five employees on the University's signature cards were reviewed, including two employees who were terminated during the audit period. Audit tests revealed the following security exceptions.

### Failure to Notify Comptroller's Office to Remove Employee from Signature Card

During the audit period, the University 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 80 days late due to the associate director of Accounts Payable being unaware of the protocols for removing employees from the signature card. The risk of a terminated employee remaining on the signature card is that the former employee could have approved paper vouchers 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 researched archived files and determined no unapproved documents were processed during the audit period.

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

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

## University Response

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*The director is now fully aware of the required procedures and will be responsible for removing employees or updating the signature cards as required by the state.*

## Failure to Request Security Access Removal

During the audit period, the University failed to submit a request to remove one employee's security access in USAS on or before the date the employee's authority to approve the agency's expenditures was revoked. The request to remove the employee from the signature card was sent 85 days late. This could have permitted the employee to approve any vouchers that the University submitted electronically to the Comptroller through USAS after the employee's authority expired. Any payment produced by a document that was approved by an employee whose security has been revoked would have constituted an unapproved expenditure. Auditors ran a report and determined that no unapproved documents were processed during the audit period.

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\(k\)\(3\)\(B\)](#).

Per the University, the employee's security access was disabled after separation of employment from the University. As a result of this finding, the University has since implemented an internal quarterly review of users' access.



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## Recommendation/Requirement

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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 any employee 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 revocations occurred.

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## University Response

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*Effective Aug. 1, 2018, the UTRGV Access Control team has implemented an internal quarterly review of users' access.*



# 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 Rio Grande Valley (University) payroll, purchase and travel transactions that processed through USAS and HRIS during the period from Dec. 1, 2016, through Nov. 30, 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.

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.

*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.*



## 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

*Shanda Hernandez, CTCD & Aleks Necak, Lead Auditors*

*Scott Coombes, CIA, CISA, CTCD*

*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 Icon Definition



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