



An Audit of **Texas A&M University – Kingsville**

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Executive Summary

Purpose and Scope

The objectives of the Texas A&M University – Kingsville (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 March 1, 2017, through Feb. 28, 2018.

Background

The mission of Texas A&M University – Kingsville is to enrich lives through education, discovery and service in South Texas. The University is committed to being a renowned, diverse community of learners and innovators.

Texas A&M University –
Kingsville website


<http://www.tamuk.edu/>

Audit Results

The University generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with purchase, payment card or travel transactions, property management or systems security. However, the University should consider making improvements to its payroll, contracting and procurement processes, and reporting and internal control structure.

The auditors reissued one finding from the last audit conducted at the University related to internal control structure. Auditors originally issued this finding in March 2014. 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, pertinent statutes and Comptroller requirements?	Incorrect longevity pay amount.	Compliant, Findings Issued
Purchase Transactions	Did purchase transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Contracting and Procurement Process</u>	Did the contracts and related payments comply with the GAA, University internal policies and procedures, best practices, and pertinent statutes?	<ul style="list-style-type: none"> Debarred vendor status not verified. Missing Texas Ethics Commission Disclosure of Interested Parties Certificate (Form 1295). 	Compliant, Findings Issued
Payment Card Transactions	Did payment card purchase transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Travel Transactions	Did travel transactions comply with the GAA, 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
<u>Targeted Analysis</u>	Did the University report employee emergency leave usage as required by statute?	Failure to report emergency leave usage.	Noncompliant
<u>Internal Control Structure</u>	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 Two employees with overlapping security access.	Control Weakness Issues Exist





Area	Audit Question	Results	Rating
Security	Are University employees who are no longer employed, or whose security was revoked, properly communicated to the Comptroller's office?	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 must ensure its operating procedures include internal quality control measures and procedures to ensure employee data are entered correctly in the internal payroll/personnel system to prevent incorrect longevity calculations and payments.
- The University must ensure vendors complete required forms before contract award.
- The University must conduct vendor compliance verification searches before each purchase, contract award, extension or renewal.
- The University must update its operating procedures to include controls to ensure it complies with [Texas Government Code 661.902](#) and emergency leave reporting requirements.
- The University must have or implement additional controls over expenditure processing that segregate each accounting task to the greatest extent possible.



Detailed Findings

Payroll Transactions

Auditors developed a representative sample from a group of 20 employees and 73 payroll transactions totaling \$174,826.88 to ensure that the University complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Additionally, a limited sample of 21 voluntary contribution transactions were audited with no exceptions identified. Audit tests revealed the following exceptions in payroll transactions.

Incorrect Longevity Pay Amount

Auditors identified six employees with incorrect longevity pay. Auditors identified four employees with incorrect state effective service dates in the University's internal payroll/personnel system. In addition, auditors identified two employees who received longevity pay in error because they were in full-time academic positions. These errors resulted in overpayments totaling \$6,640, of which \$2,810.15 was paid with state funds and \$218.82 was identified in the sample.

In a report run outside of the sample, auditors found 13 faculty employees receiving longevity pay. Faculty employees in a full-time academic position at an institution of higher education are not eligible for longevity pay. This resulted in overpayments totaling \$39,060, of which \$12,817.31 was paid with state funds. According to the University, this error was due to the internal payroll/personnel system inadvertently recognizing the faculty staff as full-time 12 month employees who are eligible for longevity pay.

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 risk incorrectly paying longevity pay. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).

Employees ineligible for longevity pay include academic employees of institutions of higher education.

Recommendation/Requirement

The University must correct the state effective service dates for the four employees. The University must correct its method of calculating lifetime service credit for its employees and enhance its internal controls to prevent incorrect longevity payments.



The University must implement processes to ensure that only eligible employees receive longevity pay. The University should reimburse the state's treasury for the \$15,627.46 of incorrect longevity reimbursement. The University should consider recovering the overpayments in accordance with [Texas Government Code, Chapter 666](#).

University Response

The University will reimburse the State Treasury \$15,627.46 by November 1, 2019. We will also contact the System's Office of General Counsel for assistance in determining how to recover the over-payments by November 1, 2019. The Texas A&M University System utilized HRIS software until December 17, 2017. The findings from the audit were due to errors from manual entries made to the previous HRIS software. Workday, the new software, does not require manual entry of longevity for employees. Longevity is a job classification that is automatically populated based on the employee's worker history, job profile and annual work period. Texas A&M University-Kingsville requires all new employees to fill out a prior state employment form during orientation for new hires. The longevity job classification is reviewed during all Hire, Additional Job or Transfer processes by multiple departments to ensure accuracy of each business process. Workday provides a number of reports that HR & Payroll are utilizing to track and correct mistakes concerning the employee's work history from the prior HRIS software. We will be running the Workday report Job Classifications on Job Profile and Position each month to ensure that each position that is classified as eligible for longevity is in fact eligible.

Purchase Transactions

Auditors developed a representative sample of 25 purchase transactions totaling \$96,542.24 to ensure that the University complied with the GAA, relevant statutes and Comptroller requirements. Audit tests revealed no exceptions for this group of transactions.

Contracting and Procurement Processes

Auditors developed a representative sample of 10 transactions totaling \$595,141.87 belonging to two vendor contracts valued at \$1,176,550 and \$5,392,048 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 revealed the following exceptions in the contract and procurement processes.



Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$1,176,550	Purchased Contracted Services – Construction	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none">Debarred vendor status not verifiedMissing Texas Ethics Commission Disclosure of Interested Parties Certificate (Form 1295)	No exceptions
Contract B	\$5,392,048	Purchased Contracted Services – Construction	No exceptions	No exceptions	No exceptions	No exceptions	No exceptions

Debarred Vendor Status Not Verified

Out of the two contracts reviewed, auditors identified one contract where the University failed to verify whether the vendor had not been debarred by the Statewide Procurement Division (SPD). The University stated that the required documentation for the contract is not available.

The University must check the debarred vendor list posted on the Comptroller of Public Accounts (CPA) website to establish that the vendor has not been debarred by SPD. An agency may not award a contract to a debarred vendor. See [Texas Government Code, Section 2155.077](#) and the [State of Texas Procurement and Contract Management Guide – Vendor Compliance Verifications](#).

Recommendation/Requirement

The University must conduct a search before any purchase, contract award, extension or renewal. A dated copy of the review results from the specified website must be retained as evidence and included in the procurement file.

University Response

Effective September 23, 2019, Buyers and Procurement Assistants were advised of the Debarred Vendor list search requirement. Each Buyer will verify and print the Debarred Vendor list prior to execution of a Purchase Order (PO). A copy of the Debarred Vendor list will be placed with each corresponding PO.



Missing Texas Ethics Commission Disclosure of Interested Parties Certificate (Form 1295)

Out of the two contracts reviewed, auditors identified one where the required Texas Ethics Commission (Commission) Disclosure of Interested Parties Certificate (Form 1295) was missing. A governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties. Certain contracts valued at \$1 million or more, or requiring an action or vote by a governing body of the entity or agency, require vendors to complete the form. See [Texas Government Code, Section 2252.908](#).

Before contract award, the vendor must complete Form 1295 using the electronic filing application located on the Commission's website, and print, sign and file the form with the entity or agency with which the vendor is entering into contract. The entity or agency must acknowledge the certificate through the electronic filing application not later than the 30th day after the date the contract binds all parties to the contract. The Commission will post the acknowledged form to its website within seven business days after receiving notice from the entity or agency.

Recommendation/Requirement

The University must ensure vendors involved in awarded contracts valued at \$1 million or more complete Form 1295 before contract award. It is best practice to include a reference to Form 1295 in the solicitation in order to allow the vendor to gather the pertinent information early in the process.

University Response

Effective September 20, 2019, TEC Form 1295 for a TAMUK contract was requested, submitted and acknowledged. We will include a reference to Form 1295 in the solicitation to allow vendors time to gather pertinent information, complete the form, and submit it prior to contract award.

Payment Card Transactions

Auditors developed a representative sample of 10 purchase and six travel card transactions, totaling \$30,043.42, from a special report outside the purchase and travel groups 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 revealed no exceptions for this group of transactions.



Travel Transactions

Auditors developed a representative sample of 20 transactions totaling \$2,403.26 to ensure the University complied with the GAA, [Textravel \(FPP G.005\)](#), pertinent statutes and Comptroller requirements. Audit tests revealed no exceptions for this group of transactions.

Fixed Assets

Auditors developed a representative sample of five transactions of fixed assets acquired by the University 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.

Targeted Analysis

A review was conducted of the University's procedure to comply with state rules and regulations regarding emergency leave. Audit tests revealed the following exception in the targeted analysis report.

Emergency Leave Usage Not Reported

The University is not in compliance with the emergency leave statutory reporting requirements for agencies and institutions of higher education. The University failed to report employee emergency leave data to the Comptroller's office for fiscal 2017.

Each agency or institution of higher education must report data for all employees who were granted more than 32 hours of emergency leave. Agencies and institutions must provide the required information to the Comptroller's office by Oct. 1, using the Emergency Leave Reporting web application.

If the agency or the institution administrative heads did not grant any employees more than 32 hours of emergency leave during the fiscal year, the agency or institution must still submit an affirmation via the Emergency Leave Reporting web application. See [Emergency Leave Reporting Requirements \(FPP F.040\)](#).

Not later than October 1 of each year, the administrative head of an agency shall report to the Comptroller the name and position of each employee of the agency who was granted more than 32 hours of emergency leave during the previous state fiscal year, the reason for which the employee was granted the emergency leave, and the total number of hours of emergency leave granted to the employee in that state fiscal year. See [Texas Government Code, Section 661.902\(d\)](#).

Recommendation/Requirement

The University must ensure that emergency leave data are reported to the Comptroller's office in the manner, frequency and form required by the Comptroller's office.



University Response

As of this year, the Texas A&M System emails each university and department the list of people who have used Emergency Leave for the prior year. The information is verified and later submitted by each member by the established due date.

Internal Control Structure

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 Uniform Statewide Accounting System (USAS), Texas Identification Number System (TINS) and voucher signature cards in effect on July 24, 2018. Auditors did not review or test any internal or compensating controls that the University may have relating to USAS or TINS security or internal transaction approvals.

The University had two employees with multiple security access capabilities within USAS and TINS.

The multiple security capabilities for the employees are:

- Two employees can enter/edit payment vouchers in USAS or release/approve payments in USAS and can create/edit a vendor in TINS. One of these employees can also edit/update vendor direct deposit information in TINS.
- Two employees can edit/update vendor profiles in TINS and are on the agency signature card, allowing them to approve vouchers. One of these employees can also edit direct deposit information in TINS.
- One employee can process/edit payroll in USAS or release payroll in USAS and edit direct deposit information for employees in TINS.

Auditors ran a report to determine whether any of the University'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 University implement the following:

- Limit the access of users who can enter/change voucher or release/approve batch in USAS to view only access in TINS (PTINS02). An individual must not be able to create a vendor or change a vendor profile, create a payment and approve the payment.



- 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 process and release payroll in USAS to view only access in TINS (PTINS02). An individual must not be able to change employee payment instructions and process and release payroll.

University Response

During the audit, we reached out to Comptroller staff to discuss options for resolving the issues. Security changes were requested and processed for the employees impacted during the audit period. We will review all the TINS within the next 90 days. Going forward, we will implement annual reviews of TINS to ensure adequate segregation is being maintained within the University accounting internal control structure.

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. Auditors reviewed all four employees on the University's signature cards. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner. The audit test revealed no security weaknesses.



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),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Reporting System (SPRS),
 - Human Resource Information System (HRIS) or
 - 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 Texas A&M University – Kingsville payroll, purchase, procurement/contracting, payment card and travel transactions that were processed and reported through USAS and HRIS from March 1, 2017, through Feb. 28, 2018, 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 on 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
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records.	Scope Limitation

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.