

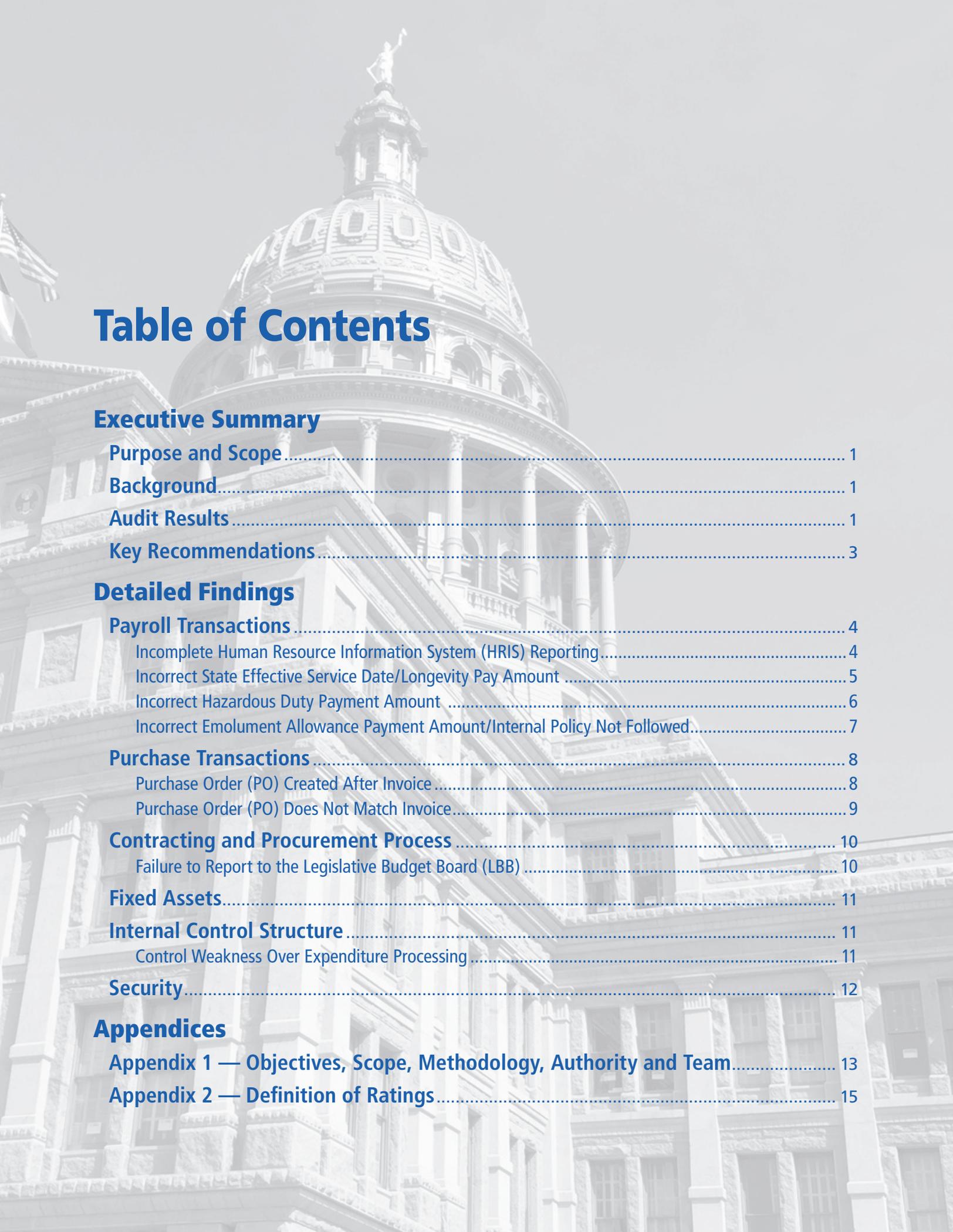


# An Audit of Texas Southern University

Audit Report # 717-19-01  
September 26, 2019

**Glenn Hegar**  
Texas Comptroller of Public Accounts





# Table of Contents

## Executive Summary

Purpose and Scope.....	1
Background.....	1
Audit Results.....	1
Key Recommendations.....	3

## Detailed Findings

<b>Payroll Transactions</b> .....	4
Incomplete Human Resource Information System (HRIS) Reporting.....	4
Incorrect State Effective Service Date/Longevity Pay Amount.....	5
Incorrect Hazardous Duty Payment Amount.....	6
Incorrect Emolument Allowance Payment Amount/Internal Policy Not Followed.....	7
<b>Purchase Transactions</b> .....	8
Purchase Order (PO) Created After Invoice.....	8
Purchase Order (PO) Does Not Match Invoice.....	9
<b>Contracting and Procurement Process</b> .....	10
Failure to Report to the Legislative Budget Board (LBB).....	10
<b>Fixed Assets</b> .....	11
<b>Internal Control Structure</b> .....	11
Control Weakness Over Expenditure Processing.....	11
<b>Security</b> .....	12

## Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team.....	13
Appendix 2 — Definition of Ratings.....	15



# Executive Summary

## Purpose and Scope

The objectives of the Texas Southern University (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 June 1, 2017, through May 31, 2018.

## Background

Texas Southern University is a student-centered comprehensive doctoral university committed to ensuring equality, offering innovative programs that are responsive to its urban setting, and transforming diverse students into lifelong learners, engaged citizens and creative leaders in their local, national and global communities.

Texas Southern  
University website

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

## Audit Results

The University generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with property management. However, the University should consider improving its purchase transactions, contracting and procurement processes, controls over expenditure processing and payroll.

The auditors reissued two findings from the last audit conducted at the University related to incorrect longevity payments and purchase orders created after the invoice. Auditors originally issued the findings in August 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?	<ul style="list-style-type: none"> <li>• Incomplete Human Resource Information System (HRIS) reporting.</li> <li>  Incorrect state effective service date/longevity pay amount.           </li> <li>• Incorrect hazardous duty payment amount.</li> <li>• Incorrect emolument allowance payment amount/internal policy not followed.</li> </ul>	<b>Noncompliant</b>
<u>Purchase Transactions</u>	Did purchase transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>  Purchase order (PO) created after invoice.</li> <li>• PO does not match invoice.</li> </ul>	<b>Compliant, Findings Issued</b>
<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?	Failure to report to the Legislative Budget Board (LBB).	<b>Compliant, Findings Issued</b>
<u>Fixed Assets</u>	Were tested assets in their intended location and properly reported in the University's internal system?	No issues	<b>Fully Compliant</b>
<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 could pick up warrants from the Comptroller's office and approve paper vouchers.	<b>Control Weakness Issues Exist</b>
<u>Security</u>	Are University employees who are no longer employed, or whose security was revoked, properly communicated to the Comptroller's office?	No issues	<b>Fully Compliant</b>





## Key Recommendations

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

- The University must report personnel data to the Human Resource Information System (HRIS) in a timely manner and correct the HRIS reporting errors according to the requirements of the Comptroller's office.
- The University must ensure its operating procedures include internal quality control measures and procedures to ensure employee data is entered correctly into the internal payroll/personnel system to prevent errors in state effective service dates, longevity calculations and payments, and hazardous duty pay amounts.
- The University must enhance its review process of purchase orders (POs) submitted into the Uniform Statewide Accounting System (USAS) for reimbursement to ensure expenditures comply with the GAA and with state laws and rules.
- The University must report contracts to the Legislative Budget Board (LBB) database as required.
- 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 30 employees and 112 payroll transactions totaling \$414,723.89 to ensure the University complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed the following findings for this group of transactions. Additionally, a limited sample of five voluntary contribution transactions was audited with no exceptions identified.

## Incomplete Human Resource Information System (HRIS) Reporting

During the audit, the University did not report personnel data to HRIS in a timely manner. Personnel transactions are timely when they are successfully reported to HRIS on or before the seventh day of the month following their effective date. According to the University, due to the amount of errors rejected, timely corrections were not made to the original report.

In addition, auditors identified three payroll transactions where an incorrect object code was used in HRIS and in USAS. The University grouped these payments with salary object codes rather than the one designated for lump sum termination payments. The University stated this occurred due to an oversight.

Because the University failed to report personnel information in a timely manner as required, the Comptroller's office issued the following reports with inaccurate and/or missing information for fiscal 2017 and 2018:

- Equal Employment Opportunity Report.
- Annual Report (Statewide Hiring Practices for the Fiscal Year).
- Veteran's Workforce Summary Report.

The Comptroller's office collects and maintains payroll and personnel information on all state employees. The information is used to report statistics to legislative and oversight bodies, media and the general public. Institutions of higher education must report personnel and payroll events to HRIS as outlined in [34 Texas Administration Code Section 5.41\(h\)-\(j\)](#). 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 University must correct the error according to the requirements of the Comptroller's office.



## Recommendation/Requirement

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The University must ensure all payroll and personnel transactions are reported to HRIS in a timely manner. The data submitted to HRIS must be made in the manner, frequency and form required by the Comptroller's office. In addition, the University must use the correct object code for lump sum termination payments in HRIS and USAS.

## University Response

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*We were experiencing a very large volume of errors on our HRIS report. With assistance from our external OIT consultants, we were able to make adjustments to our crosswalk tables (between Banner and the State), which has minimized the number of errors and the time it was taking to make the corrections. While we did not meet the deadline for July's report which was due August 7th, our reporting time has improved, and we were able to submit July's report by the 12th, which is still beyond the required deadline. However, we will continue to work with OIT to minimize the errors we're still having with supplemental pay and overtime.*

*As far as the correct object code is concerned, all HR and Payroll staff have been informed that all vacation payouts are paid using object code 7023. When vacation payouts are paid separately from the final base pay, it automatically charges to object code 7023.*

## Incorrect State Effective Service Date/Longevity Pay Amount

In the review of payroll transactions, auditors identified two out of 30 employees with incorrect state effective service dates in the University's internal payroll/personnel system. The University's staff entered the information incorrectly, causing the University to incorrectly calculate lifetime service credit for these employees. The incorrect state effective service dates resulted in two overpayments of longevity pay totaling \$8,740.

When an agency hires an employee, the agency must research whether the employee has prior state employment. If prior employment exists, the agency must confirm the amount of lifetime service credit and properly record it or risk incorrectly paying longevity pay. Also, an employee may receive longevity pay for the month in which he or she has accrued 24 months of lifetime service credit only if the employee's anniversary falls on the first day of the month. Otherwise, the employee begins receiving longevity pay on the first of the following month. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).

In addition, auditors identified 12 out of 30 employees who were in full-time faculty/administrative positions receiving longevity payments. While these employees were in administrative positions, administration only accounted for 25 percent or less of each employee's work time. This resulted in overpaying longevity pay by \$82,640.04, of which \$76,740.04 was paid with state funds.



For institutions of higher education, a “full-time state employee” is one who is normally scheduled to work at least 40 hours per week in one non-academic position. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).

## Recommendation/Requirement

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

The University must ensure that only eligible employees receive longevity pay. The University should reimburse the state’s treasury for the \$76,740.04 of incorrect longevity reimbursement, and should consider recovering the overpayments in accordance with Texas Government Code, Chapter 666.

## University Response

*The University has corrected the state effective service dates for both employees. One was incorrectly calculated as a result of the system not accounting for breaks in service as a student worker. Instead, it counted the entire time served as a student (even when she did not work). The second one was incorrectly calculated because our office failed to adequately verify prior state service with each entity. Instead, we relied on a printout of state service from the USAS system. In both instances, we have put measures in place to avoid such miscalculations. We require new hires to submit the State of Texas Inter-Agency Employment Verification Form and then we submit it to the agencies listed for final verification. In addition, longevity pay has been discontinued on the twelve (12) faculty members who inadvertently received it. As part of our corrective measures, we’ve updated the system to prevent any faculty member who is not 100% administrative from receiving longevity pay.*

*Given the completed corrective measures (discontinuance of longevity pay, correction of longevity pay calculation for 100% administrative roles) and the implementation of additional compensating and monitoring controls, the University has postured not to engage in (retroactive) recovery efforts from the employees at this time in accordance with Texas Government Code, Chapter 666, as the employees (noted as exceptions) were unaware of the institution’s errors in the years of service and/or longevity pay calculation.*

## Incorrect Hazardous Duty Payment Amount

Auditors identified two employees who terminated employment with the University mid-month. At the time of the termination, the University prorated the amount paid to each employee for hazardous duty, resulting in incorrect payment of hazardous duty pay. The total hazardous duty pay amount underpaid was \$86.43.



As long as an employee works for any portion of the first workday of the month of termination, the employee is entitled to be paid the full amount of hazardous duty pay for that month. See [Texas Government Code, Sections 659.302](#) and [Texas Payroll/Personnel Resource – Agency-Specific Provisions – Hazardous Duty Pay](#).

## Recommendation/Requirement

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The University must enhance its internal payroll system to ensure that employees who terminate on a day other than the first of the month receive the full entitlement amount. The University must compensate the employees for the underpaid amount.

## University Response

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*The payroll staff has been informed and retrained on accurately calculating hazardous duty pay. They fully understand that hazardous duty pay is an entitlement and it does not matter how many days the employee worked in the month they're hired or terminated; they must receive the full monthly amount.*

*The two (2) terminated employees have been compensated as of September 15, 2019, for the miscalculation of hazardous duty pay which resulted in underpaid amounts.*

## Incorrect Emolument Allowance Payment Amount/Internal Policy Not Followed

The audit revealed that the University paid one employee a communication device allowance payment that was not included in the employee's contract. Although the employee was not authorized to receive the emolument payment of \$100 per month, the payroll system automatically paid it for 15 months, resulting in an overpayment of \$1,500. As a result of the audit, the employee no longer receives the emolument payment and the University is using institutional funds to pay for the employee's communication device.

Auditors also found 12 transactions where the Communication Allowance form had expired and required re-approval. The University Allowance for Communication Devices policy provides for an institutional allowance to cover business use of personal cell phones and wireless devices for certain employees. The department head is responsible for determining if the employee's position requires a wireless device, and the Communication Allowance form must be submitted to the vice-president for approval. In these instances, the Allowance for Communication Devices policy was not followed.

The Comptroller's office requires each state agency to provide documentation supporting the legality, propriety and fiscal responsibility of each payment that results from a payroll document. The supporting documentation must be made available in the manner required by the Comptroller's office. See [Texas Payroll/Personnel Resource – Required Documentation](#).



## Recommendation/Requirement

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The University must update its policies and procedures to ensure the communication allowance eligibility review process is accurate. In addition, the University must monitor payroll expenditures to ensure compliance with specific payroll emolument programs. The University should consider recovering the emolument overpayment in accordance with [Texas Government Code, Chapter 666](#).

## University Response

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*We had one employee receiving a monthly emolument payment and a communication device. The monthly emolument payment was discontinued effective March 2, 2019. Our communication policy has also been updated to include defined standards for determining who receives the \$50, \$75 and \$100 emolument payment. The payments were determined by job titles and responsibilities. As a result, twenty-four (24) employees received written notification of changes in their monthly payments to be effective Sept. 1, 2019. In addition, a thorough audit was conducted on University-issued cell phones. We determined that we did not have additional employees receiving a monthly emolument and a communication device. To maintain sufficient control with our devices, the technology department will now oversee the process of distributing and collecting all communication devices.*

*Given the completion remediation efforts and corrective measures, the University does not intend to pursue recovery activities in accordance with Texas Government Code, Chapter 666, as it deems the \$100 immaterial.*

## Purchase Transactions

Auditors developed a representative sample of 35 purchase transactions totaling \$1,014,627.88 to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following.

### Purchase Order (PO) Created After Invoice

Auditors identified one purchase transaction for \$17,350 where the University created a PO after receiving the invoice. Without a PO issued to the vendor at the time goods are ordered, it is difficult for the University to ensure that it is not overcharged or billed for goods or services beyond those agreed. According the University, the user department placed the order before obtaining an approved PO.

According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), it is the responsibility of the state agency and its officers to ensure that for each purchase document, the agency maintains necessary documentation to prove that each payment resulting from the document is legal, proper and fiscally responsible.



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## Recommendation/Requirement

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The University must ensure that documentation of an agreement is prepared at the time the goods or services are ordered from a vendor. Once the University has a final approved agreement with a vendor, the University may not pay any amount in excess of the agreed amount, unless the agreement is amended due to the vendor providing a new benefit or consideration.

## University Response

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*This finding is a training issue that is addressed annually and monthly. Each year, Procurement Services hosts a training event for all staff with purchasing responsibility. In addition, the Procurement staff meets monthly with Department and College Business Administrators. Attendees are regularly informed that a purchase cannot be made without an approved purchase order issued from the Purchasing Department. To do so is a violation of university policy and the responsible party is personally liable for the purchase.*

*While these instances are rare, they occur occasionally. With each occurrence, the end user is counseled on proper procedure and they are informed that further violations will result in disciplinary action up to and including termination. The violation is documented by the Purchase Exception Authorization form which requires notification and signature by the violator's supervisor.*

## Purchase Order (PO) Does Not Match Invoice

Auditors identified one purchase transaction for \$1,183.65 where the PO did not match the invoice. The University failed to amend the original PO to increase the quantity of items purchased. The University explained that the department originating the PO modified the order with the vendor without notifying the Purchasing Services Department.

A PO is a contract between the state and a vendor. When the University and a vendor agree to a certain rate or quantity, unless the PO is properly amended by the vendor providing additional consideration, any amount above that rate or quantity can not be paid or purchased. In addition, any amendments must be completed before the vendor provides goods or services.

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## Recommendation/Requirement

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The University must review and compare the invoices for completeness and accuracy, and compare them to the PO/contract to ensure that neither the rate nor quantity exceeds the stated amounts. Any amendments to the original PO/contract must be documented.



## University Response

Depending on the source of the error, the correction will be resolved by taking one of the following actions:

1. *Change by TSU: The originator shall initiate an Encumbrance Adjustment Form which creates a change order by adding/deleting lines for commodities added/deleted or by modifying amounts. Any increase is documented with a new benefit or consideration by the vendor.*
2. *Change by Vendor: Accounts Payable obtains a corrected invoice or a credit memo from the vendor. The corrected invoice is sent to the Accounts Payable Analyst. The corrected invoice/credit memo should reference the original P.O. number and the original invoice number.*

## Contracting and Procurement Process

Auditors reviewed two vendor contracts totaling \$617,000 and \$213,464 and examined all phases of contract development, planning, solicitation, award and payments for compliance with the GAA, University internal policies and procedures, best practices and pertinent statutes. Audit tests revealed the following:

Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$617,000	Building Maintenance	No exemptions	No exemptions	No exemptions	Failure to report to the LBB.	No exemptions
Contract B	\$213,464	Information Technology Services	No exemptions	No exemptions	No exemptions	Failure to report to the LBB.	No exemptions

## Failure to Report to the Legislative Budget Board (LBB)

Auditors identified two contracts totaling \$830,464 that the University did not report to the LBB. The submission must include required documentation such as the award, solicitation documents, renewal, amendments, addendums, extensions, attestation letters and certain types of supporting records. Contracts initially reported to the LBB database do not have to be reposted on the web under [Texas Government Code, Section 2261.253\(g\)\(1\)](#). The University stated this occurred due to oversight.

### LBB Reporting Requirements

Unless exempted, [Texas Government Code, Section 322.020](#) requires agencies to provide the LBB copies of major contracts and the associated request for proposal, invitation to bid, or comparable solicitation. Agencies must report contracts with values exceeding certain thresholds to the LBB. Maximum contract value includes the value of the contract, amendments, and all potential extensions or renewals, even if not exercised, i.e., the total amount both currently and potentially obligated.



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## Recommendation/Requirement

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The University must report all required contracts to the LBB in compliance with [Texas Government Code, Section 322.020](#) and the [LBB Contract Reporting Guide](#).

## University Response

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*Upon notification of the finding, a meeting was held with all Purchasing staff. A directive was issued immediately with instructions on how to comply with the statute. Buyers are now responsible for reporting to the LBB contracts associated with their commodity assignments. The Director of Materials Management conducts monthly reviews to ensure all appropriate contracts are reported.*

## Fixed Assets

Auditors developed a sample of three 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. The audit tests revealed no exceptions for these transactions.

## 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 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 in effect on Jan. 25, 2019. 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 who could pick up warrants from the Comptroller's office and approve paper vouchers.

During the audit, the University requested removal of the employees from the Agency Authorization for Warrant Pickup list.

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## Recommendation/Requirement

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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.



## University Response

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*A review was performed after TSU was made aware of the finding by the Texas Comptroller of Public Accounts. Corrective action included identifying personnel with pick-up authorization and who also have authority to approve vouchers. Those individuals were identified and their pick-up authorization has been removed. TSU's Controller's Office sends out an annual Separation of Duties Questionnaire which monitors controls over expenditure processing. Staff members are required to list their responsibilities and identify any possible conflicts. The procedure attempts to ensure an individual is not in a position to initiate, approve and review the same transaction.*

## 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. Auditors reviewed all three employees on the University's signature cards, and 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 Report System (SPRS) or
  - 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 Texas Southern University (University) payroll, purchase, contracting and procurement transactions that processed through USAS and HRIS from June 1, 2017, through May 31, 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.

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 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**

*Eunice Miranda, CTCD, Lead Auditor*

*Angelica Villafuerte, CGAP, CTCD*

*Amanda Price, CFE, CTCD*

*Max Viescas, CPA*



## 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"> <li>Lack of appropriate and sufficient evidentiary matter.</li> <li>Restrictions on information provided to auditor.</li> <li>Destruction of records.</li> </ul>	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.