



An Audit of **Prairie View A&M University**

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Table of Contents

Executive Summary

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

Detailed Findings

Payroll Transactions	4
Incorrect State Effective Service Date Resulting in Incorrect Longevity Pay	4
Missing Payroll Deduction Form	5
Purchase Transactions	6
Travel Transactions	6
Grant Transactions	6
Payment Card Transactions	6
Security	6
Employee Retained Security To Expend Funds After Termination	6
Internal Control Structure	7
Fixed Assets	7

Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team	8
Appendix 2 — Definition of Ratings	10



Executive Summary

Purpose and Scope

The objectives of the Prairie View A&M 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, 2016, through May 31, 2017.

Background

Prairie View A&M University is a state-assisted, public, comprehensive land grant institution of higher education. The University was designated in a 1984 amendment to the Texas Constitution as an "institution of the first class." It seeks to invest in programs and services that address issues and challenges affecting the diverse ethnic and socioeconomic population of Texas and the larger society including the global arena. During the University's 130-year history, some 46,000 academic degrees have been awarded.

Prairie View A&M University website
<https://www.pvamu.edu/>

Audit Results

The University generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with purchase, travel or grant transactions, payment processing or property records. However, the University should consider making improvements to its payroll and security processes.

There were no recurring issues from the prior post-payment audit issued in Aug. 30, 2013. 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"> • Incorrect state effective service date/ longevity pay. • Missing deduction form. 	Compliant, Findings Issued
Purchase Transactions	Did purchase/procurement and contract-related payments 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
Grant Transactions	Did grant payments comply with state laws and regulations pertaining to grants/loans and 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
<u>Security</u>	Are University employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	Failure to timely request security access removal.	Compliant, Findings Issued
Internal Control Structure	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	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 enhance its procedures to ensure all prior state service for its employees is verified and related longevity payments are correctly paid.
- The University must ensure it maintains required documentation to support employee payroll deductions.
- The University must ensure that notifications sent to the Comptroller's office to remove an employee's Uniform Statewide Accounting System (USAS) security profile are sent on or before the effective date of the revocation or termination to prevent the possibility of the former employee executing electronic approvals for the agency.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$222,387.42 from a group of 30 employees and 95 payroll transactions to ensure the University complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes.

Additionally, a limited sample of 30 voluntary contribution transactions was audited. Audit tests revealed the following payroll exceptions for these two groups of transactions.

Incorrect State Effective Service Date Resulting in Incorrect Longevity Pay

Auditors identified two employees with incorrect state effective service dates in the University's internal payroll system resulting in incorrect longevity payments. Prior state service was noted by the employees and verifications conducted by the University at the time of hire. However, the University incorrectly calculated the prior service when entering the time in its internal system. The incorrect calculations of state service resulted in longevity underpayments totaling \$2,600, of which \$40 was in the sample.

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 incorrect 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 – Longevity Pay](#).

Auditors provided the University with calculations for the incorrect payment amounts, but did not include them in this report due to confidentiality issues.

Recommendation/Requirement

Auditors recommend the University continue to research and verify prior state service for employees. In addition, the University must ensure all prior state service verifications are properly documented, accurate and maintained in the personnel files.

The University must compensate the employees for the longevity underpayments. The University must verify months of state service data for its employees and enhance its internal controls to prevent incorrect longevity payments.



University Response

The University will attempt to compensate the two employees that were identified with underpaid longevity amounts in the audit; both employees have since terminated employment with the University.

The University will enhance its current state service verification process as follows:

- 1. Review and modify the Statement of Previous State Employment form to include additional language that highlights the importance of full disclosure by the employee and provide examples of what type of prior employment does or does not qualify for state service.*
- 2. Calculate length of service with a formulated spreadsheet.*
- 3. Develop and send annually a Notice of State Service statement to every current employee. The statement will provide the employee with a snapshot of their current total longevity pay on record. Employees will be asked to certify the accuracy of their prior state service reflected on the statement. If discrepancies are noted or new information added, employees will be instructed to contact the Leave Team in Human Resources.*

Missing Payroll Deduction Form

Auditors identified one instance where the required payroll deduction form was missing. The University was unable to provide the deduction form for credit union payments for one employee. The employee had retired from the University and the personnel records were no longer available. The University stated it has a retention policy requiring the forms be maintained for seven years after authorization/amendment; however, in this instance the form was not maintained.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made out of the agency's funds. The Comptroller may require the documentation during a post-payment audit, pre-payment audit or at any other time. See [Texas Payroll/Personnel Resource – Voluntary Deductions](#).

Recommendation/Requirement

The University should enhance internal controls to ensure it maintains required documentation for all employee payroll deductions. See [34 Texas Administrative Code Section 5.47](#).

University Response

Payroll Services is currently working with departments to phase out paper payroll deduction authorization forms. All forms will be converted to digital forms. The use of digital forms improves the record-keeping process and reduces the risk of missing forms as they are electronically placed in the employees' payroll files.



Purchase Transactions

Auditors developed a sample of 50 purchase transactions totaling \$2,238,047.87 to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Travel Transactions

Auditors developed a sample of 30 travel transactions totaling \$1,943.67 to ensure the University complied with the GAA, [Textravel \(FPP G.005\)](#), pertinent statutes and Comptroller requirements. Audit tests revealed no exceptions in these transactions.

Grant Transactions

Auditors developed a sample of 10 grant transactions totaling \$29,246.60 to ensure the University complied with state laws and regulations pertaining to grants and loans. Audit tests revealed no exceptions for this group of transactions.

Payment Card Transactions

Auditors developed a sample of 25 payment card transactions totaling \$7,140.60 to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#), [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Security

The audit included a security review to identify University employees with security access in USAS or the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be met so that security can be revoked in a timely manner. Audit tests revealed the following security exception.

Employee Retained Security To Expend Funds After Termination

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 expenditures was revoked. The request was sent two days late. This could have permitted the employee to approve electronic vouchers after the employee's authority expired. Any payment that was approved under the employee's expired authority would have constituted an unapproved expenditure. The University had submitted the request; however, it was not processed in the time required by the Comptroller's office. No payments were processed by the employee after the authority expired.



When an employee's authority to approve expenditures is revoked, the employee's USAS security profile must be changed no later than the effective date of the revocation or termination. The lack of timely notification also meant this employee retained USAS security access after termination, so the employee could have approved electronic vouchers during that time. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

Any officer or employee may send the Comptroller's office notification of termination or revocation. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#). The Comptroller's office accepts emails, faxes, letters, memos or other writings before the expiration date, as long as the writings indicate that the designated employee has terminated employment, had security revoked or will experience either a termination or a revocation in the near future. The notification must also specify the effective date of the termination/revocation.

Recommendation/Requirement

The University must ensure notifications sent to the Comptroller's office to remove an employee's USAS security profile are sent on or before the effective date of the revocation or termination to prevent the employee from executing electronic approvals.

University Response

Internal procedures have been updated and a list of USAS user access has been developed. The user access list will be shared with the various fiscal offices monthly to assist in timely removal of an employee's USAS access.

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. The audit tests revealed no exceptions in user access.

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. Audit tests revealed no exceptions for this group of transactions.



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) 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 the Prairie View A&M University (University) payroll, purchase and travel transactions that processed through USAS and HRIS from June 1, 2016, through May 31, 2017, to determine compliance with applicable state laws.

The University received 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 the University's documents comply in the future. The University must ensure 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.