



# An Audit of **Lamar University**

**Audit Report # 734-19-01**  
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# Executive Summary

## Purpose and Scope

The objectives of the Lamar 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 Sept. 1, 2018, through Aug. 31, 2019.

## Background

Lamar University in Beaumont, Texas, was founded in 1923 as South Park Junior College. In 1951, the school became Lamar State College of Technology, a state-supported four-year institution, the first junior college in Texas to make such a transition. Lamar University joined the Texas State University System in 1995.

Lamar University website  
<https://www.lamar.edu/>

## Audit Results

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

The University cleared the findings that were issued in the last audit, which was issued in March 2015. An overview of audit results is presented in the following table.

## Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Incorrect overtime pay calculation.</li> <li>• Missing current payroll deduction forms.</li> </ul>	Compliant, Findings Issued
<u>Purchase/ Procurement, Payment Card and Contract Transactions</u>	Did the purchase/ procurement and contract-related payments comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Missing State Auditor's Office (SAO) nepotism disclosure statement forms.</li> <li>• Failure to report to the Legislative Budget Board.</li> <li>• Missing vendor compliance verifications.</li> <li>• Prompt payment and payment scheduling errors.</li> </ul>	Compliant, Findings Issued
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
<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?	Control weakness over expenditure processing	Control Weakness Issues Exist
Fixed Assets	Were tested assets in their intended locations and properly reported in the State Property Accounting system?	No issues	Fully Compliant
<u>Targeted Analysis</u>	Did the University process payments to/from other agencies in accordance with Comptroller requirements?	Interagency transaction voucher not used	Compliant, Findings Issued





## Key Recommendations

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

- The University must enhance its internal controls to ensure it captures employees' Fair Labor Standards Act (FLSA) status and includes longevity amounts in overtime pay calculations.
- The University should enhance its policies and procedures to ensure it obtains and maintains required documentation to support all employee payroll deductions.
- The University must ensure it retains all documents relating to procurement and contracts, such as documentation for:
  - State Auditor's Office (SAO) disclosure statements.
  - Vendor compliance verification before purchase, contract award or renewal.
  - Reporting contract awards and purchases to the Legislative Budget Board (LBB).
- The University must review its procedures to ensure it both submits payment information for processing and releases payments in a timely manner to avoid incurring interest liabilities.
- To minimize the loss of interest earned for the state's treasury, the University must schedule all payments over \$5,000 for the latest possible distribution and in accordance with its purchasing agreements.
- The University should review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure no individual is able to process payments without oversight.
- The University must use the recurring transaction indices (RTIs) provided by agencies it does business with to make payments using an interagency transaction voucher (ITV).



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$229,570.57 from a group of 30 employees and 141 payroll transactions to ensure the University complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed one exception in this group of transactions. Additionally, a limited sample of 14 voluntary contribution transactions was audited with seven exceptions identified.

## Incorrect Overtime Pay Calculation

In the review of payroll transactions, auditors identified one instance when the University incorrectly calculated a non-exempt employee's overtime payment using straight time instead of time and a half. This also resulted in the employee's longevity pay amount not being included in the overtime pay calculation, resulting in an underpayment of \$102.85. According to the University, it has researched this payment and determined that the employee entered the hours incorrectly and staff did not notice the error when the payment was processed. The University corrected the error during the audit and issued a payment to the employee.

Special payments such as longevity pay, hazardous duty pay, benefit replacement pay and housing emoluments must be included in the regular rate of pay for the calculation of overtime pay. The FLSA administered by the Department of Labor defines a non-exempt employee as one eligible for overtime. The non-exempt employee who physically works more than 40 hours in a given workweek accrues overtime hours at the rate of one-and-one-half hours for every overtime hour worked. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Overtime](#).

Auditors provided the University with a schedule of the incorrect overtime pay amount. It is not included with this report because it contains confidential information.

## Recommendation/Requirement

The University must enhance its internal controls to ensure it captures employees' FLSA status and that longevity amounts are included in its overtime pay calculations.

## University Response

*The report was built to help verify hours during each work week to capture incorrectly applied time.*



## Missing Current Payroll Deductions Forms

Of the 14 payroll deduction forms audited, auditors identified seven current payroll deduction forms missing for State Employee Charitable Campaign (SECC) deductions. The University's practice is to continue payroll deductions until the employee requests the deductions stop. However, the SECC Higher Education Authorization Form includes the statement: "I understand that this authorization automatically expires with the November pay period of each year." As a result, the University made payroll deductions without a current authorization form on file.

The SECC is conducted during September and October. During the campaign, an employee may authorize the deduction for the next campaign year. Agencies and institutions of higher education must maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made from 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 – Charitable Contributions](#).

### Recommendation/Requirement

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The University should enhance its policies and procedures to ensure it obtains and maintains required documentation to support all employee payroll deductions. See [34 Texas Administrative Code Section 5.48](#).

### University Response

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*All SECC deductions have been terminated effective Nov. 30, 2020. This process of timely terminating deductions has transferred to the Payroll department, which will input new deductions with both a start and end date.*

## Purchase/Procurement, Payment Card and Contract Transactions

Auditors developed a sample of 40 purchase transactions totaling \$6,251,041.40, as well as nine transactions totaling \$1,035,105.62 belonging to one contract totaling \$1,639,851.00, to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Using a report generated outside the sample, auditors also selected 10 payment card transactions totaling \$7,339.71 for testing. Audit tests revealed the following exceptions for these groups of transactions.



Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$1,639,851.00	Construction – Police Station Repair and Renovation	No exceptions	No exceptions	<ul style="list-style-type: none"> <li>Missing State Auditor’s Office (SAO) nepotism disclosure statement forms.</li> <li>Missing vendor compliance verifications.</li> </ul>	No exceptions	No exceptions

## Missing State Auditor’s Office (SAO) Nepotism Disclosure Statement

The University failed to have each employee involved in the procurement for the contract complete and sign SAO nepotism disclosure statement forms. The University stated that it believed the standard conflict of interest form signed annually by its purchasers met this requirement. The SAO form is required in addition to the conflict of interest forms on major contracts of \$1 million or more.

The SAO defines purchasing personnel as employees of a state agency who make decisions on behalf of the agency or: recommend contract terms or conditions on a major contract; recommend who is to be awarded a major contract; prepare a solicitation for a major contract; or evaluate a bid or proposal. See [Texas Government Code, Section 2262.004](#).

### Recommendation/Requirement

The University must ensure all procurement personnel involved in awarding contracts of at least \$1 million sign the SAO disclosure statement for purchasing personnel located on the [SAO website](#), and must retain the signed statements in the contract file.

### University Response

*The University will implement a procurement and contracts checklist.*

## Missing Vendor Compliance Verifications

Auditors identified 17 purchase, one contract and two payment card transactions where the University was unable to provide documentation that it performed the vendor compliance verifications (VCVs). The University must provide a screen print to show it performed each verification.

The University stated that this issue occurred because it only conducts the VCVs during vendor set up and not before any purchases, contract extensions or renewals.

If the University does not perform the compliance checks before purchases, contract extensions or renewals, there is an increased likelihood that the University will not be able to determine whether a vendor becomes noncompliant during the procurement process.





## Debarment Check

The University must check the debarred vendor list posted on the [Comptroller's Debarred Vendor Lists website](#) to establish that the vendor has not been debarred by the Statewide Procurement Division (SPD). A University may not award a contract to a debarred vendor, according to [Texas Government Code, Section 2155.077](#).

## System for Award Management Check

The University must check the System for Award Management (SAM) database to verify that the vendor is not excluded from grant or contract participation at the federal level. A contract cannot be awarded to a vendor named on the U.S. Treasury Department, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons. See [Presidential Executive Order 13224](#).

## Iran, Sudan and Foreign Terrorist List Organization Check

Government entities may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Sections 2252.001\(2\) and 2252.152](#). Before award, the University must check the divestment lists to confirm the potential awardee is not in violation of this requirement, per [Texas Government Code, Sections 2252.153 and 2270.0201](#). The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists website](#). If the business is in violation, the University may not award the contract to that vendor.

## Boycott Israel Check

Government entities may not contract with a company for goods or services unless the contract contains a written verification from the company that it does not boycott Israel and will not boycott Israel during the term of the contract. See [Texas Government Code, Chapter 808](#). Before award, the University must check the divestment lists to determine if the potential awardee is in violation of this requirement, per [Texas Government Code, Section 808.051](#). The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists website](#). If the potential awardee is on the list, the University may not award the contract to that vendor.

## Warrant Hold Check

The University must check a vendor's warrant hold status if the transaction involves a written contract; if payment is made with local funds; or if a payment card purchase is over \$500. See [TexPayment Resource – Hold Special Circumstances, Local Funds and Payment Card Purchases](#). The University cannot proceed with a purchase made with local funds or a payment card purchase over \$500 until the warrant hold has been



released. For transactions involving a written contract, the warrant hold check must be performed no earlier than the seventh day before and no later than the date of contract execution. If the vendor is on warrant hold, the University may not enter into a written contract with the person unless the contract requires the University's payments under the contract to be applied directly toward eliminating the person's debt or delinquency. The requirement specifically applies to any debt or delinquency, regardless of when it arises. Although payments made through the Uniform Statewide Accounting System (USAS) are automatically checked for holds, and the system identifies payments issued to persons with outstanding state debt, this does not relieve the University from conducting the warrant hold status check, per [Texas Government Code, Section 2252.903\(a\)](#).

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### Recommendation/Requirement

The University must conduct every VCV search before any purchase, contract award, extension or renewal. Results from the specified website must be retained as evidence and included in the purchase/procurement file.

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### University Response

*The procurement and payment services department is reaching out to a component school to re-engage about a possible vendor to provide exclusive vendor onboarding. This will include required steps involved with the vendor verification process, such as address and banking validation. The University will also implement a new procurement and contracts checklist which will include a vendor compliance check as a requirement for new awards executed with vendors who previously completed the onboarding process.*

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

Auditors identified 14 purchase transactions where the University failed to report contracts to the LBB. The University stated that while its policy prioritizes reporting, it was operating with limited resources, and the reporting did not occur. According to the [General Appropriations Act \(GAA\), Article IX, Section 7.04\(c\)](#), a state agency or institution of higher education must report all contracts over \$50,000 to the LBB.

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### Recommendation/Requirement

The University must report contract awards and purchases to the LBB to comply with the [GAA, Article IX, Section 7.04\(c\)](#) and the [LBB Contract Reporting Guide](#).

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### University Response

*The University will implement a procurement and contracts checklist.*



## Prompt Payment and Payment Scheduling Errors

### Late Payment

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a government entity's payment is overdue on the 31st day after the latest of:

- The date the government entity receives the goods under the contract.
- The date the performance of the service under the contract is completed.  
– or –
- The date the government entity receives an invoice for the goods or services.

The Comptroller's office automatically computes any interest due under the prompt payment law. A state agency is liable for any interest that accrues on an overdue payment and must pay the interest from funds appropriated or otherwise available to the agency with the net amount for the goods or services. See [Texas Government Code, Section 2251.026](#). During the audit period, the University paid vendors \$682.31 in late payment interest.

Auditors identified two purchase transactions in the sample that the University paid late but did not pay interest on. Auditors also identified one purchase transaction with overpaid interest.

The University must ensure staff enters correct due dates and submits payment information for processing in a correct and timely manner to avoid incurring interest liabilities.

### Early Payment

Auditors identified one purchase transaction that the University paid early, resulting in interest lost to the state's treasury.

[Texas Government Code, Section 2155.382\(d\)](#), authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office prescribes the circumstances under which advance scheduling of payments is allowed or required, but requires advance scheduling when it benefits the state.

### Recommendation/Requirement

The University must review its procedures to ensure it both submits payment information for processing and releases payments in a timely manner to avoid incurring interest liabilities. In addition, the University must verify that staff enters proper due dates to ensure that if interest is due, the University pays it correctly to vendors.





To minimize the loss of interest earned for the state's treasury, the University must schedule all payments over \$5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in [eXpendit – Payment Scheduling](#). The University can pay according to the terms on the invoice only if those terms are included in the purchase order and are part of the signed contract.

## University Response

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*The University provided additional staff training to help with calculation of payment dates for when these dates need to be calculated and entered manually. The University also clarified for staff the need to use the correct receipt date for payment processing which is the latter of the invoice date, receipt of a true and correct invoice, or date goods and services received.*

## Security

The audit included a security review to identify University 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 met so that security can be revoked in a timely manner. Audit tests revealed no exceptions in these transactions.

## 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 conducted revealed the following exception in user access.

## Control Weakness Over Expenditure Processing

Auditors reviewed the University's signature cards and security for USAS and the Texas Identification Number System (TINS). Auditors did not review or test any internal or compensating controls that the University may have relating to security or internal transaction approvals in USAS or TINS.

During the audit period, auditors identified employees with security conflicts. Three employees were on the University's signature card (they could approve a paper voucher for expedite) and were on the University's Authorization for Warrant Pickup list. According to the University, it believed it had mitigating controls in place to prevent one person from picking up a warrant that person had approved. This issue was corrected by the University during the audit.

## Recommendation/Requirement

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The University should review the controls over expenditure processing and segregate each task to the maximum extent possible to ensure no individual is able to process payments without oversight. Auditors strongly recommend that the University limit user access by removing the user from either the University's signature card or the Authorization for Warrant Pickup list.



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## University Response

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*The University amended the warrant pickup list. All payments being processed are being reviewed by someone independent of the one processing payment. The signature card was amended to ensure that no one on the list also processes the payment.*

## Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended locations and properly recorded in the State Property Accounting (SPA) system. Audit tests revealed no exceptions in these transactions.

## Targeted Analysis

Auditors reviewed the University's procedure to comply with state rules and regulations regarding transactions between state agencies and institutions of higher education. Audit tests revealed the following exception in the targeted analysis report.

## Interagency Transaction Voucher Not Used

In a report generated outside the sample, auditors identified five payments where the University did not use the ITV process properly. According to the University, there was confusion about how to remit payment as three of the invoices included the statement "Payment MUST be accompanied with Coupon and Envelope" below the RTI number. One of the other two payments did not have an RTI listed, and the RTI of the other was placed under the address to remit payments, and staff missed it. See [Interagency Payments and Receipts for Goods and Services \(APS 014\) \(FPP A.028\)](#).

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## Recommendation/Requirement

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The University must use the RTIs provided by other agencies with which it does business to make payments using an ITV. It must also provide its RTI number to other agencies making payments to the University. If an RTI is not provided, the University should try to obtain it from the billing agency.

## University Response

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*The University will review USAS entries to ensure that the proper form is used and that RTIs if provided are present.*



# 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 Lamar University (University) payroll, purchase, procurement and contract transactions that processed through USAS from Sept. 1, 2018, through Aug. 31, 2019, 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 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, and relies on professional judgment to select areas the auditor considers high risk.

## **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**

*Amanda Price, CTCD, CFE, Lead Auditor*

*Eunice Miranda, CTCD*

*Jesse Ayala*



## 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.