



An Audit of the **University of Texas Medical Branch at Galveston**

Audit Report # 723-20-01
April 9, 2021

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

Payroll Transactions	4
Incorrect Longevity, Hazardous Duty and Overtime Pay Amounts	4
Improper Payment of Compensatory Time	6
Incorrect Human Resource Information System (HRIS) Reporting	7
Purchase/Procurement and Contract Transactions	8
Missing Purchase Order (PO)	8
Purchase Order Created After Invoice	9
Missing Statutory Authority for Purchase	10
Missing Required Contract Clauses	11
Missing Vendor Compliance Verifications (VCVs)	12
Debarment Check	12
System for Award Management Check	12
Iran, Sudan or Foreign Terrorist List Organization Check	12
Boycott Israel Check	12
Failure To Report to the Vendor Performance Tracking System (VPTS)	13
Payment Card Transactions	16
Security	16
Failure To Notify Comptroller To Remove Employee from Signature Card	17
Internal Control Structure	17

Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team	18
Appendix 2 — Definition of Ratings	20



Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the University of Texas Medical Branch at Galveston (University):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Implemented appropriate security over payments.

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

The University of Texas Medical Branch at Galveston is a public academic health science center and is part of the University of Texas System. Established in 1891, the University has four schools, three institutes for advanced study, a comprehensive medical library, four on-site hospitals, a network of clinics and numerous research facilities.

The University of Texas Medical Branch at Galveston website
<https://www.utmb.edu/>

Audit Results

The University generally complied with the General Appropriations Act (GAA), relevant Texas Government Code and Texas Administrative Code provisions, and Comptroller requirements. Auditors found no issues with the controls over expenditure processing or payment cards. However, the University should consider making improvements to its payroll, purchase/procurement, contracting and system security processes.

The University cleared the findings in the last post-payment audit, issued in February 2016. 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 longevity, hazardous duty and overtime pay amounts. • Improper payment of compensatory time. • Incorrect HRIS reporting. 	Compliant, Findings Issued
<u>Purchase/Procurement and Contract Transactions</u>	Did purchase/procurement and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Missing purchase order (PO). • PO created after invoice. • Missing statutory authority for purchase. • Missing required contract clauses. • Missing vendor compliance verifications. • Failure to report to the VPTS. 	Compliant, Findings Issued
Payment Card Transactions	Did payment card purchase transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Security</u>	Were University employees who were no longer employed or whose security was revoked properly communicated to the Comptroller's office?	Failure to notify Comptroller to remove employee from signature card.	Control Weakness Issues Exist
Internal Control Structure	Were 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



Key Recommendations

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

- The University must ensure its policies and procedures include quality control measures and procedures to ensure staff enters employee data into the internal payroll/personnel system correctly to prevent errors in hazardous duty pay amounts, longevity calculations and overtime payments.
- The University should correct Human Resource Information System (HRIS) reporting errors according to the requirements of the Comptroller's office.
- The University must enhance its review process of 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 ensure no payment is made without sufficient supporting documentation and must maintain supporting documentation for audit review.
- The University must ensure it keeps all documents relating to procurement and contracts on file, such as documentation of reporting purchases over \$25,000 to the Vendor Performance Tracking System (VPTS).
- The University must ensure staff notifies the Comptroller's office to remove an employee from the University's signature card on or before the effective date of the revocation or termination to prevent the former employee from approving paper vouchers for the University.



Detailed Findings

Payroll Transactions

Auditors developed a sample of 30 employees with 150 transactions totaling \$387,904.28 to ensure the University complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Additionally, auditors reviewed a limited sample of 20 voluntary contribution transactions. Audit tests revealed exceptions for this group of transactions.

Incorrect Longevity, Hazardous Duty and Overtime Pay Amounts

In reviewing the 30 employees in the payroll sample, auditors identified three employees (10%) with incorrect or unsubstantiated payments due to insufficient internal controls ensuring accurate calculation and documentation supporting payroll transactions.

For one of these three employees, auditors noted that the October 2018 payroll transactions reviewed included an overpayment of hazardous duty pay as well as an incorrect payment of longevity pay when the employee was ineligible for longevity pay, which resulted in an overpayment of overtime pay. The February 2019 payroll transactions for this same employee also included an underpayment of hazardous duty pay.

[Texas Payroll/Personnel Resource – Hazardous Duty Pay](#)

"Lifetime service credit – Applicable only to an employee in a hazardous duty position, lifetime service credit is the sum of all periods of employment in a hazardous duty position during the employee's state employment history. Periods of employment in a hazardous duty position at a community or junior college are included in lifetime service credit. Lifetime service credit is used in the calculation of the effective service date for hazardous duty pay."

For the second of these three employees, auditors noted that the October 2018 payroll transactions reviewed included an overpayment of hazardous duty pay, which resulted in an overpayment of overtime pay. The August 2019 payroll transactions for this same employee also included an overpayment of hazardous duty pay.

According to the University, the correct anniversary dates for each type of service have not been consistently entered in the University's internal system. Some employees are initially hired into positions (e.g., police cadet) which do not accumulate hazardous duty service credit but are later promoted or transferred into positions (e.g., police officer) which do. In the case of the second employee, the internal system calculated the milestone for the hazardous duty pay in July when the employee was a police cadet as opposed to the December milestone month when the employee became a police officer and eligible for hazardous duty pay.



The third employee had prior state service; however, the University did not clearly document its verification of the type of service (hazardous duty versus regular service) reported by the other state agencies. Although the Texas state employment verification form that the University sent to the other state agencies included a question about the number of months creditable to longevity service and hazardous duty service, the other agencies did not answer that question. Additionally, one of the responding agencies stated that the employee was eligible for \$20 of longevity pay while there, but the University's records indicated that the employee did not have enough longevity service to qualify. The University did not provide documentation about whether it followed up with the other agencies to clarify the months creditable to each type of service or what data it used to make its own determination regarding longevity. Because the information was not verified, the auditors did not perform any calculations to verify appropriateness of the amounts of hazardous duty, longevity or overtime paid to the employee during the audit period.

Each position held by an employee who is eligible for hazardous duty pay, whether at the University or at other state agencies, should be analyzed to determine whether it counts toward hazardous duty service (i.e., accumulates hazardous duty pay) or regular service (i.e., accumulates longevity pay). Hazardous duty pay should be calculated and paid correctly based on the duration of service. See [Texas Payroll/Personnel Resource – Agency-Specific Provisions – Hazardous Duty Pay](#).

In addition, 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. 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 that 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](#).

Recommendation/Requirement

The University should establish or strengthen internal controls to ensure that hazardous duty and longevity pay are calculated and paid correctly based on duration of service. Additionally, the University should ensure that the correct anniversary dates are being entered in its internal system. The University should consider recovering the overpayment in accordance with [Texas Government Code, Chapter 666](#), unless it determines it is not cost-effective to do so.



University Response

We concur with the recommendation.

UTMB has strengthened internal controls and training to ensure hazardous duty and longevity pay are calculated and paid accurately based upon the duration of service. Any service record received from another state agency with incomplete or conflicting information will require escalation to the Director of Shared Service for confirmation with the other state agency(s). This will be documented as a second level confirmation and review. The new procedures will be formalized March 2021.

Converted employees still with UTMB were audited and their records were corrected as appropriate. Additionally, the record related to the transferred employee has been corrected.

Improper Payment of Compensatory Time

In a review of payroll transactions, auditors identified one employee who received an incorrect payment of compensatory time due to noncompliance with [Texas Government Code, Sections 659.016\(b\) and \(c\)](#), [U.S. Department of Labor guidance](#), and [Texas Human Resources Management Statutes Inventory provided by the State Auditor's office \(SAO No. 20-303\)](#) in treating a Fair Labor Standards Act (FLSA)-exempt employee as an employee who is FLSA eligible and is subject to overtime provisions.

In this case, the FLSA-exempt employee earned compensatory time for working more than 40 hours in a workweek. The University determined that it would pay for the compensatory time because allowing the employee to take the time off would disrupt its normal teaching, research or other critical functions.

However, the University used the incorrect pay rate. The University used the employee's base pay rate (without any additional pay components such as longevity) instead of the employee's "regular rate of pay," determined using [U.S. Department of Labor guidance](#).

Additionally, the University incorrectly multiplied the number of hours over 40 to be paid by 1.5 instead of using the actual number of hours of compensatory time earned on a straight-time, one hour for one hour basis, in accordance with [Texas Government Code, Sections 659.016\(b\) and \(c\)](#), and [Texas Human Resources Management Statutes Inventory provided by the State Auditor's office \(SAO No. 20-303\)](#).

Finally, in processing the payment to the employee, the University used an incorrect coding to record the leave. An FLSA-exempt employee earning compensatory time for hours worked over 40 in a workweek, then getting paid for that compensatory time, should be recorded as 7019 (Compensatory Time), not 7021 (Overtime).



Recommendation/Requirement

The University should review and modify its policies and procedures regarding compensatory time payments to FLSA-exempt employees. The University should also retain documentation, on a case-by-case basis, of its determination to paying out the compensatory time instead of allowing the employee to take compensatory time off. The University should consider recovering the overpayment in accordance with [Texas Government Code, Chapter 666](#), unless it determines it is not cost-effective to do so.

University Response

We concur with the recommendation.

UTMB has updated its procedures and communicated changes related to compensatory time for exempt employees as of May 2020. Updates to four policies, targeted to comply with all provisions of Texas Government Code, section 659.016(b) and related U.S. Department of Labor guidance are currently under review.

Incorrect Human Resource Information System (HRIS) Reporting

In a review of the 150 payroll transactions sampled, auditors identified 140 transactions that did not comply with HRIS reporting requirements because they were incomplete or reported inaccurately.

The University reported all sampled payroll transactions into HRIS using comptroller object 7015 – Higher Education Salaries – Classified Employees, regardless of the comptroller object used to record the transactions in USAS. As a result, for the 116 transactions which were recorded in USAS using comptroller objects other than 7015, the HRIS reporting is incorrect. Payroll transactions must be reported into HRIS using the comptroller objects that match those used in the corresponding transactions recorded in USAS.

The University reported 19 transactions using incorrect entitlement codes. The University reported 18 of these transactions with the entitlement code for miscellaneous (MSC) instead of the corresponding entitlement code for a one-time merit payment (1XM). One transaction was reported with the entitlement code for on-call pay (OCP) instead of shift differential pay (SHD).

Additionally, one longevity transaction was incorrectly reported twice, one salary transaction was partially reported, one overtime payment transaction was not reported, and two secondary appointments were not reported. According to the University, programming inaccuracies that caused these errors have been identified.

The Comptroller's office collects and maintains payroll and personnel information on all state employees. The information is used to report statistics to various legislative and oversight bodies, the media and the general public. Institutions of higher education



must report personnel and payroll events to HRIS as outlined in [34 Texas Administrative Code Section 5.41\(h\)-\(i\)](#). If the Comptroller's office detects an error in a state agency's report of personnel or payroll information, it will provide a description of the error to the agency. The agency must then correct the error according to the requirements of the Comptroller's office.

Recommendation/Requirement

The University must ensure all payroll and personnel financial transactions are reported to HRIS in an accurate and timely manner. The report to HRIS must be made in the manner, frequency and form required by the Comptroller's office.

University Response

We concur with the recommendation.

Program changes have been implemented as of November 2020 addressing entitlement code reporting for miscellaneous vs. one-time merit and on-call pay vs. shift differential pay. Additional programming will be implemented by August 2021 to correct reporting related to Comptroller object code accuracy and longevity payment adjustments. We have been in contact with staff at the Comptroller's Office, Statewide Fiscal Systems – Mainframe Production Support, to address reporting of secondary appointments.

Purchase/Procurement and Contract Transactions

Auditors developed a sample of 30 purchase/procurement transactions totaling \$352,615.01 as well as the payment from a contract valued at \$143,552.41 to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions in the purchase/procurement and contract transactions.

Missing Purchase Order (PO)

Auditors identified two purchase transactions missing POs. According to the University, it could not locate the required documentation since the purchaser is no longer employed at the University.

Without proper documentation, auditors could not determine if the information entered into USAS was an accurate reflection of the purchases made. The University must maintain proper documentation to verify that payments are valid and to ensure a proper audit trail.

According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), a state agency and its officers and employees must maintain the necessary documentation for each purchase to prove the payment is legal, proper and fiscally responsible.



Supporting documentation must be made available to the Comptroller's office in the manner required. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#). Such documentation must be maintained until at least the end of the second appropriation year after the appropriation year in which the transaction was processed in USAS. See [34 Texas Administration Code Section 5.51\(e\)\(5\)\(A\)](#).

Recommendation/Requirement

The University must ensure it makes no payment without sufficient supporting documentation; it must also create and maintain supporting documentation for audit review. The University should review and update its procedures for maintaining supporting documentation for all purchases.

University Response

We agree with the recommendation regarding the purchase order.

While the payment noted was allowable and supported by the receipt of services and approved invoice, the type of purchase documentation was not in accordance with the Comptroller's definition. The policy has been communicated with appropriate personnel to ensure future compliance.

Purchase Order Created After Invoice

Auditors identified one purchase transaction 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 it is not overcharged or billed for goods or services beyond those agreed to. Per the University, the vendor has an automatic technology inventory supply system that alerts the vendor when the University is low on supplies. The University received a replenishment of the supplies without the University business team being alerted to the need for an order.

According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), a state agency and its officers and employees must maintain the necessary documentation for each purchase to prove the payment is legal, proper and fiscally responsible.

Recommendation/Requirement

The University must prepare documentation of an agreement before ordering goods or services from a vendor. Once the University has made a final approved agreement with the 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

We concur with the recommendation.

UTMB will provide additional training and communication to the appropriate departmental approvers. Training will be provided by April 2021 and acknowledgment will be obtained from the target audience to confirm compliance requirements are understood. Purchasing will maintain the acknowledgments.

Missing Statutory Authority for Purchase

Auditors identified one transaction consisting of six purchases where the University purchased food with appropriated funds without having statutory authority to do so. According to the University, this transaction was for a student luncheon with a guest speaker, and the University should have used institutional funds for this research and education program purchase. The transaction was corrected in the University's general ledger, but the credit was not processed in USAS.

The attorney general has said the Texas Constitution prohibits a state agency from purchasing food, coffee, cream, sugar and similar items with state-appropriated funds that employees or visitors would consume. See the [Texas Attorney General Opinion No. C-557 \(1965\)](#).

According to [eXpendit – Statutory Authority for Purchases](#), a state agency may purchase a good or service only if the agency has specific or implied statutory authority. A state agency has implied statutory authority to purchase a good or service only if it is necessary for the agency to fulfill its specific statutory duties.

Recommendation/Requirement

The University must update its policies and procedures to ensure it does not purchase goods or services with appropriated funds if it does not have statutory authority to do so. Additionally, the University should refund the state's treasury for the unallowable expenditure.

University Response

We concur with the recommendation.

Current policies provide guidance on allowable purchases. Procedures include detective controls to confirm compliance. This internal process identified the item and it was corrected in the general ledger in August 2019; however, that credit was not processed in USAS. The refund to the state treasury will be processed by April 2021. Procedures were implemented to ensure credits are processed in a timely manner.



Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$143,552.41	Maintenance Services	No exceptions	No exceptions	No exceptions	<ul style="list-style-type: none">Missing required contract terms.Missing vendor compliance verifications.	Failure to report to the VPTS

Missing Required Contract Clauses

Auditors did not find the following required contract clauses in the executed contract reviewed:

- List of Companies that Boycott Israel: [Texas Government Code, Section 2271.002](#).
- Specially Designated Nationals and Blocked Persons List: [Executive Order No. 13224](#).
- Designated Foreign Terrorist Organizations: [Texas Government Code, Section 2252.152](#).

According to the University, the terms and conditions applicable to all purchases and bids had not been updated. The University is updating the terms and conditions to include all required contract clauses.

Failure to include these required contract clauses increases the risk that the University's contracts will be in violation of federal or state statutes and rules, which in turn increases the risk that the contracts and the University will be subject to legal challenge or regulatory action.

Recommendation/Requirement

The University must consult its legal counsel and include all required contract clauses in its contract templates to better protect the interest of the state.

University Response

We concur with the recommendation.

As of July 2020, UTMB implemented revised standard purchasing templates for purchase orders, contracts, and templates to include the required contract clauses.



Missing Vendor Compliance Verifications (VCVs)

Auditors identified many purchase transactions missing a complete checklist of VCV documents in addition to the reviewed contract missing VCVs. Per the University, its policies do not require a System for Award Management (SAM) verification for orders less than \$15,000, nor checks of the Debarred Vendor List, the List of Companies that Boycott Israel, or the Iran, Sudan or foreign terrorist list.

Debarment Check

For 28 of the 30 purchase transactions as well as the reviewed contract, the University did not search the [Debarred Vendor List](#) before entering into the contract. Section 1.6 of the UTMB Purchasing and Contract Management Handbook requires the contract developer to check the Debarred Vendor List posted on the Comptroller's website to ensure the vendor has not been debarred by the Statewide Procurement Division (SPD). An agency must not award a contract to a debarred vendor.

System for Award Management Check

For 20 of the 30 purchase transactions, the University did not search the SAM database before awarding the contract. A state agency must check the SAM database to verify 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. Department of the Treasury, Office of Foreign Assets Control's Specially Designated Nationals and Blocked Persons List (with limited exceptions noted in the order). See [Presidential Executive Order 13224](#).

Iran, Sudan or Foreign Terrorist List Organization Check

For 28 of the 30 purchase transactions, as well as the reviewed contract, the University did not check the Iran, Sudan or foreign terrorist list before awarding the contract. Government entities may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Section 2252.152](#). Each agency must check the divestment lists before contract award to see if the potential awardee is in violation of this requirement. The divestment lists are maintained by the Texas Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) webpage. If a business is in violation, the contract may not be awarded to that vendor.

Boycott Israel Check

For 28 of the 30 purchase transactions, as well as the reviewed contract, the University did not complete the boycott Israel check before entering into the contract. 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 do so during the term of the contract. See [Texas Government Code, Section 2271.002](#). Each agency must check the divestment lists before awarding the contract to ensure the potential awardee is not in violation of this requirement; see [Texas Government Code, Section 808.051](#). The divestment lists are maintained by the Texas Treasury Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#) website. If the potential awardee is on the list, the contract may not be awarded to that vendor.

Recommendation/Requirement

The University must update its policies and procedures to ensure it completes all required VCVs before any purchase, contract award, extension or renewal, and retains a dated copy of the results in the procurement file. In addition, the University needs to ensure that their employees are aware of VCVs required for all purchases/procurements.

University Response

We concur with recommendation.

Purchasing procedures will be updated April 2021 to incorporate certification of appropriate clearances into the existing buyer checklist. It will also require documentation to support verification clearance prior to executing the transaction. UTMB will update templates by April 2021 to ensure completion of all required VCVs before any purchase, contract award, extension, or renewal. Training will be conducted with appropriate personnel by April 2021.

Implementation will be phased in starting in April 2021 with full implementation to be completed by September 2021.

Failure To Report to the Vendor Performance Tracking System (VPTS)

For three purchase transactions and the reviewed contract, the University did not report vendor performance to the SPD's VPTS. According to the University, [Texas Government Code, Section 2262.002](#) states that institutions of higher education are exempt from [Texas Government Code, Chapter 2262](#), so the University argues they are therefore exempt from [Texas Government Code, Section 2155.089](#).

SPD administers VPTS for use by all agencies per [34 Texas Administrative Code Section 20.115\(b\)](#) and requires agencies to gather information on vendor performance. In addition, [Texas Government Code, Section 2155.089](#) states that after a contract is completed or otherwise terminated, each state agency must review the vendor's performance under the contract and report to the Comptroller's office using the tracking system established by [Texas Government Code, Section 2262.055](#).



The requirement that institutions of higher education submit vendor performance reports to the VPTS is in the [Texas Government Code, Section 2155.089](#), Title 10, Subtitle D, Subchapter B, General Purchasing Requirements, Procedures, and Programs, along with other provisions applicable to institutions of higher education, such as payment provisions (Subchapter G) and audits (Subchapter F). Institutions of higher education are included in the definition of state agency in the [Texas Government Code, Section 2151.002](#), Title 10, Subtitle D.

The Legislature has provided institutions of higher education two means of acquiring goods and services. According to [Texas Education Code, Section 51.9335](#), institutions of higher education may either acquire goods and services under the authority provided by [Section 51.9335](#), subject to [Texas Education Code, Section 51.9337](#), or under the authority provided by Texas Government Code, Title 10 Subtitle D. Institutions of higher education found in noncompliance with the requirements of [Texas Education Code, Section 51.9337](#), must acquire goods and services under the authority provided by Texas Government Code, Title 10, Subtitle D, per [Texas Education Code, Section 51.9337](#). However, if an institution of higher education meets the requirements in [Texas Education Code, Sections 51.9335](#) and [51.9337](#), it can decide not to follow the procurement requirements in Title 10, Subtitle D.

However, the reporting of vendor performance under [Section 2155.089](#) is not part of the procurement of goods and services. Performance monitoring and evaluation is part of contract management, which begins when the contract is awarded. Vendor performance cannot be reported until the procurement process is complete, so VPTS reporting is outside the scope of the [51.9335\(d\)](#) exemption, like the payment and audit provisions in [Chapter 2155](#). Institutions of higher education must report to VPTS.

While institutions of higher education are not required to use VPTS to determine whether to award a contract to a vendor reviewed in the tracking system because of the exemption granted by [Texas Government Code, Section 2262.002](#) (Title 10, Subtitle F), the Comptroller's office encourages institutions of higher education to do so as a matter of procurement best practice.

Recommendation/Requirement

The University must begin reporting contracts and purchases to VPTS to:

- Identify vendors demonstrating exceptional performance.
- Aid purchasers in making a best-value determination based on vendors' past performances.
- Protect the state from vendors with unethical business practices.
- Identify vendors with repeated delivery and performance issues.
- Provide performance scores in four measurable categories for Centralized Master Bidders List vendors.
- Track vendor performance for delegated and exempt purchases.



If the University would like to clarify this issue for future audits, it could seek an attorney general opinion or amendment of the statute by the Legislature.

University Response

We have discussed this issue with our Office of General Counsel and we respectfully disagree with this finding.

Texas Education Code, Chapter 74, Section 74.008(g), specifically exempts UTMB from Subtitle D, Title 10, Government Code, as well as any reporting obligations thereunder (See statute copied below). Therefore, UTMB has no statutory duty or obligation to report to the VTPS as recommended by the Texas Comptroller under this section of the Corrective Action Plan.

EDUCATION CODE

TITLE 3. HIGHER EDUCATION

SUBTITLE C. THE UNIVERSITY OF TEXAS SYSTEM

CHAPTER 74. OTHER MEDICAL, DENTAL, AND NURSING UNITS OF THE UNIVERSITY OF TEXAS SYSTEM

SUBCHAPTER A. THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON

Sec. 74.008. ACQUISITION OF GOODS OR SERVICES. (a) The medical branch may acquire goods or services by the method that provides the best value to the medical branch, including:

- (1) competitive bidding;*
- (2) competitive sealed proposals;*
- (3) catalogue purchase;*
- (4) a group purchasing program; or*
- (5) an open market contract.*
- (b) In determining what is the best value to the medical branch, the medical branch shall consider:*
 - (1) the purchase price;*
 - (2) the reputation of the vendor and of the vendor's goods or services;*
 - (3) the quality of the vendor's goods or services;*
 - (4) the extent to which the goods or services meet the medical branch's needs;*
 - (5) the vendor's past relationship with the medical branch;*
 - (6) the impact on the ability of the medical branch to comply with laws and rules relating to historically underutilized businesses;*
 - (7) the total long-term cost to the medical branch of acquiring the vendor's goods or services; and*



(8) any other relevant factor that a private business entity would consider in selecting a vendor.

(c) The state auditor may audit purchases of goods or services by the medical branch.

(d) The medical branch may adopt rules and procedures for the acquisition of goods or services.

(e) To the extent of any conflict, this section prevails over any other law relating to the purchasing of goods or services except a law relating to contracting with historically underutilized businesses or relating to the procurement of goods and services from persons with disabilities.

(f) This section does not apply to purchases of professional services subject to Chapter 2254, Government Code.

(g) Except as otherwise provided by this section, Subtitle D, Title 10, Government Code, does not apply to purchases of goods and services made under this section.

Added by Acts 1999, 76th Leg., ch. 1410, Sec. 1, eff. Sept. 1, 1999.

Comptroller Response

Texas Education Code, Chapter 74, Section 74.008 addresses means, rules and procedures for acquiring goods and services to provide best value to the medical branch, but it does not address any contract management, monitoring or reporting.

As indicated in the report above, the reporting of vendor performance under [Section 2155.089](#) is not part of acquiring goods and services for best value and it begins after the procurement is completed. Performance monitoring and evaluation is part of contract management, which begins when the contract is awarded. Vendor performance cannot be reported until the procurement process is complete, so VPTS reporting is outside the scope of the [74.008\(g\)](#) and [51.9335\(d\)](#) exemptions.

Again, if the University would like to clarify this issue for future audits, it could seek an attorney general opinion or amendment of the statute by the Legislature.

Payment Card Transactions

Auditors developed a sample of 12 payment card transactions totaling \$8,071.39 to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed no exceptions in these transactions.

Security

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



Failure To Notify Comptroller To Remove Employee from Signature Card

The University failed to notify the Comptroller's office in a timely manner about the termination of one employee who had been designated to approve its expenditures. The request to remove the employee from the signature card was sent 11 days late, so the former employee could have approved paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by a paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. Auditors ran a report and determined no unapproved documents were processed during the audit period. According to the University, this risk is low as a result of mitigating controls the University has in place. The employee access was removed from the University's network and the employee did not have access to the University's systems. The University also stated that the employee access profile in USAS allowed the employee to release transactions only. The employee could neither create nor modify a transaction already entered.

Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the termination no later than the fifth day after the effective date of termination. Any officer or employee may send the Comptroller's office that notification. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

Recommendation/Requirement

The University must ensure compliance with the terminated employee security revocation requirements. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of terminations on or before the dates the revocations become effective and will follow up with the Comptroller's office to ensure receipt of the notifications and that the revocations occurred.

University Response

We concur with recommendation.

UTMB updated procedures to ensure compliance with terminated employee security revocation requirements. In addition to the required Semi-annual Security Access Attestation, as of February 2021, the UTMB designated Security Administrator will review the list of users for possible terminations on a weekly basis. If there are any terminations, the user's USAS access will be revoked within the regulatory time frame. Confirmation of such revocation will be obtained from the Comptroller's Office to ensure that removal was processed timely.

Internal Control Structure

The review of the University's segregation of duties was limited to obtaining reports identifying current user access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed no exceptions in user access.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Report 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 voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the University of Texas Medical Branch at Galveston (University) payroll, purchase/procurement, contracting processes and controls over expenditure processing that processed through USAS and HRIS from Sept. 1, 2018, through Aug. 31, 2019, to determine compliance with applicable state laws.

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 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.

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 section 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

Eunice Miranda, CTCD, Lead Auditor

Mayra Castillo, CTCD

Jack Lee, 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">• 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.