



# An Audit of the University of Texas System

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# Executive Summary

## Purpose and Scope

The objectives of this audit were to determine whether the University of Texas System (System):

- 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.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Dec. 1, 2018, through Nov. 30, 2019.

## Background

The University of Texas System is one of the nation's largest systems of higher education, with 13 institutions that educate more than 240,000 students. The mission of The University of Texas System is to improve the human condition in Texas, our nation and our world.





University of Texas System website  
<https://www.utsystem.edu/>

## Audit Results

The System largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payment scheduling, prompt pay or property management. However, the System should consider making improvements to its payroll, purchase/procurement, payment card, travel, security and internal control processes.

The auditors reissued three findings from the last audit conducted at the System related to payroll, purchase and segregation of duties. Auditors originally issued these findings in May 2017. An overview of audit results is presented in the following table.

## Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	 Incorrect state effective service date. <ul style="list-style-type: none"> <li>• Missing documentation.</li> <li>• Duplicate reimbursement of lump-sum payment of accrued vacation time.</li> <li>• Internal policy not documented.</li> <li>• Incorrect reporting to HRIS.</li> </ul>	<b>Compliant, Findings Issued</b>
<u>Purchase, Payment Card and Contract Transactions</u>	Did purchase, payment card and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Missing record of bid proposal receipts.</li> <li>• Missing contract development documentation.</li> <li>• Incorrect procurement method used.</li> <li>• Administrative review of respondent solicitation not conducted.</li> </ul>  Missing vendor compliance verifications. <ul style="list-style-type: none"> <li>• Missing required contract clauses.</li> <li>• Failure to report to the Vendor Performance Tracking System.</li> <li>• Weakness in contract monitoring.</li> <li>• Missing Texas Ethics Commission Certificate of Interested Parties (Form 1295).</li> <li>• Missing State Auditor's Office nepotism disclosure statement.</li> <li>• Failure and incorrect reporting to the Legislative Budget Board.</li> </ul>  Incorrect amount paid. <ul style="list-style-type: none"> <li>• Inadequate contracting process.</li> </ul>	<b>Compliant, Findings Issued</b>
<u>Travel and Travel Card Transactions</u>	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> <li>• Misuse of travel card.</li> <li>• Travel card used by unauthorized user.</li> </ul>	<b>Compliant, Findings Issued</b>
Fixed Assets	Were tested assets in their intended locations and properly reported in the State Property Accounting system?	No issues	<b>Fully Compliant</b>
<u>Internal Control Structure</u>	Are 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	<b>Control Weakness Issues Exist</b>
<u>Security</u>	Are System employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	Employee retained security to expend funds after termination	<b>Control Weakness Issues Exist</b>







## Key Recommendations

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

- Confirm the amount of lifetime service credit for new employees and compute the correct effective service date to prevent incorrect longevity pay.
- Create and maintain payroll documentation to ensure salary actions and compensation are accurate, proper and authorized. Supplemental salary payments should be documented in policy.
- Report all payroll and personnel transactions to the Human Resources Information System (HRIS) in a timely manner.
- Retain all documents relating to procurement and contracts and accurately and effectively select the procurement method that best achieves the business requirements and procurement objectives.
- Consult System legal counsel, include all required clauses in contract templates and execute amendments before the contract expiration date.
- Review and compare invoices for completeness and accuracy in comparison with the contract's authorized amount.
- Follow procurement procedures to procure or reprocure solicitations.
- Properly review all state-issued travel card transactions to ensure they are used in accordance with applicable rules and requirements.
- Segregate expenditure processing tasks to the maximum extent possible to ensure that no individual is able to process payments without oversight.
- Ensure 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.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$962,308.32 from a group of 30 employees and 274 payroll transactions to ensure the System complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed five exceptions in this group of transactions. A limited sample of 11 voluntary contribution transactions was audited with no exceptions identified. Additionally, one exception was identified from a report generated from HRIS that was compared to reimbursement requests in USAS.

## Incorrect State Effective Service Date

Auditors identified two employees out of 30 sampled with incorrect effective service dates in the System's internal payroll/personnel system. This resulted in two incorrect longevity payments to the employees.

- One employee did not receive state service credit for previous state employment at another University of Texas component, although it was listed on the employee's resume. This resulted in an underpayment of longevity. The employee terminated employment in April 2019.
- One employee's state service credit was adjusted to correct miscoded leave, but the correction resulted in an overpayment.

Longevity pay is an entitlement based on total state service and is paid each month in addition to base salary. Lifetime service credit reflects an employee's entire time of state service and is used to determine the amount of longevity pay an individual may be eligible to receive. The amount of lifetime service credit accrued by a state employee is the sum of the number of days served during each period of state employment. See [Texas Payroll/Personnel Resource – General Provisions, Lifetime Service Credit](#).

When an agency hires an employee, the agency must research whether the employee has previous state employment or risk the employee receiving incorrect longevity pay. If prior state employment exists, the agency must:

- Confirm the amount of lifetime service credit.
- Compute the correct amount of longevity pay entitlement.

See [Texas Payroll/Personnel Resource – Non-Salary Payments, Longevity Pay](#).



## Recommendation/Requirement

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The System must continue to verify employees' previous state employment, confirm the amount of lifetime service credit and compute the correct effective service date to prevent incorrect longevity pay. Applications and resumes must be reviewed and employees could be formally asked to indicate whether they have any eligible previous state employment. Subsequent adjustments to lifetime service credit and/or the effective service date must be documented in the employee file and/or HR/payroll system.

For over or underpayments, the System must take steps to either pay the employees the amount due or recover the amount owed. See [34 Texas Administrative Code Section 5.40](#) and [Texas Government Code, Chapter 666](#).

## System Reponse

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*Agree. In our experience, solely using the resume is not reliable as it is very common for prior work experience to be omitted if the applicant feels it is irrelevant to the position for which they're applying. Therefore, in the fall of 2019, we implemented a form into our pre-onboarding process. This form is required of all selected candidates where the job assignment is eligible for vacation/longevity pay. Via the form, the selected candidate answers the following question: Have you ever been employed at a Texas state agency or public institution of higher education (including student employment)? If the answer is yes, the candidate must indicate each agency and approximate dates of employment. Prior state service verifications are obtained based on the information provided by the selected candidate. It's not uncommon for there to be a long delay between when the verification request is sent and when it's received back from the previous agency. To ensure all prior state service is verified and credited to the employee, we maintain a spreadsheet that tracks all requests.*

## Missing Documentation

In the review of payroll transactions, auditors identified two employees who did not have documentation in their personnel file or the HR/payroll system to support the amounts paid to them.

- One employee was missing personnel action forms (PAFs) to support the hourly rate of pay for two payments.
- One employee was missing timesheets to support the full amount of a payment to the employee.

The System did not provide evidence that the sampled employee salary actions and compensation were accurate, proper and appropriately authorized. Without documentation to support the employee salary actions and compensation, auditors could not determine if these salary actions and payments were approved by an authorized individual or were accurate and proper.





The Comptroller's office requires a state agency to provide documentation supporting the legality, propriety and fiscal responsibility of each payment that results from a payroll document if the payment is made out of the agency's funds. The personnel action form that documents an action concerning a state employee must specify/contain certain information including but not limited to the action taken and its effective date, the dated signature of an employee authorized to approve personnel actions, and the position type, employee type, job title and salary before and after the action. See [Texas Payroll/Personnel Resource – General Provisions, Required Documentation](#).

For employees paid on an hourly basis and whose hours worked vary, timesheets certified by the employee and approved by a supervisor are essential to substantiate the amount of hourly-based pay for that employee.

## Recommendation/Requirement

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The System must ensure that documentation is created and maintained as evidence that all employee salary actions and compensation are accurate, proper and appropriately authorized. Required documentation includes but is not limited to authorized approvals for employee salaries and hourly pay rates, completed performance evaluations for merit-based pay increases, details of employment separations for final salary calculations, and certified timesheets for hourly staff compensation. If electronic systems are the source of documentation, all required information should be captured to detail the action and its authorization. Retention of the supporting documentation, whether in hard copy or electronic form, should be properly maintained for future reference.

## System Reponse

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- 1. The University of Texas System Administration implemented in 2018 a system of electronic personnel action forms (e-forms) in our PeopleSoft system to capture all new hires, position changes, pay changes, terminations, retirements, etc. This resolved any issues with missing documentation and approvals for these types of personnel actions.*
- 2. The University of Texas System Administration migrated its electronic timesheets and leave reporting into PeopleSoft in August 2020. This allows time and leave to be entered into the same electronic system that issues paychecks to employees, which increases accuracy of reporting and pay. This also includes appropriate approvals to be captured in the same system.*

## Duplicate Reimbursement of Lump-Sum Payment of Accrued Vacation Time

Auditors identified one instance where the System received a duplicate reimbursement from the state for an employee's lump-sum payment of accrued vacation time. According to the System, due to an off-cycle entry, this manual transaction was



incorrectly entered twice in USAS. It also stated that this amount was only paid one time to the employee. A payroll transaction that is reimbursed from the state more than once is erroneous and reduces taxpayer funds that could be used for appropriate purposes.

Institutions of higher education issue their payroll payments from funds held in local bank accounts. After processing the payroll from local funds, institutions of higher education process reimbursement payroll documents in the accounting system to receive the portion of payroll that can be paid from appropriated funds. The reimbursement payroll documents report the amounts paid to each employee for whom reimbursement from appropriated funds is being requested. However, the payments are paid to the institution rather than to individual employees, as the reimbursement payroll document is only submitted to claim the authorized portion of salary costs from appropriated funds. See [Texas Payroll/Personnel Resource – General Provisions, Types of Payroll Documents](#).

### Recommendation/Requirement

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The System must review and enhance the process for preparing reimbursement payroll documents to ensure that payroll reimbursements are valid and accurate and do not include duplicate payroll transactions. It must return the amount of the duplicate payroll reimbursement to the state.

### System Reponse

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*Agree. During the course of this audit, the audit uncovered that due to an off-cycle entry producing a \$0.00 amount check, this transaction was manually coded incorrectly causing a duplicate charge in the General Ledger, and therefore, in USAS. The Office of the Comptroller has corrected the entry in USAS, and in the future, will pay special attention to off-cycle entries to prevent future errors regarding this type of transaction.*

### Comptroller Response

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While we understand that the off-cycle entry did not result in a duplicate payment to the employee, it did result in the System receiving reimbursement twice for the transaction in USAS. This resulted in an over reimbursement of \$320 that the System must refund to the state.

### Internal Policy Not Documented

Full-time employees who work in Washington D.C. receive a parking allowance. This practice is not documented in the System's internal policy. Two employees in the sample received the monthly parking supplement. One employee had authorization to receive this amount in an offer letter but the other employee did not. According to



the System, it implemented this parking allowance for Washington, D.C. employees but did not formally document it in policy. When policies and procedures for employee salary supplements are not documented, there is a risk that these payments are not consistent, correct, or in alignment with management's intentions.

## Recommendation/Requirement

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Guidelines and procedures for this supplemental salary payment (such as eligibility, evidence of expense, amount, frequency, approvals needed, etc.) must be documented in policy to ensure applicable employees receive this benefit on a fair and consistent basis and in accordance with the agency's intent. In addition, approvals for employees authorized to receive the supplement should be documented in the employee's file.

## System Reponse

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*An internal guideline document on the eligibility and payment of Washington, DC, parking payments will be developed and normalized with all necessary parties to ensure applicable employees receive this benefit on a fair and consistent basis and in accordance with UT System Administration.*

## Incorrect Reporting to HRIS

The System posts financial transactions to both HRIS and USAS. However, auditors discovered nine of the 20 employees reviewed from the HRIS and USAS reports had reporting differences totaling \$583,015.31. From the payroll sample, there were five employees who had instances of missing HRIS reporting or incorrect reporting in USAS totaling \$24,539.70. The System stated this was due to a manual coding error and amounts inadvertently left off the HRIS vouchers.

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

## Recommendation/Requirement

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The System must report all payroll and personnel transactions to HRIS in a timely manner. The report submitted to HRIS must be made in the manner, frequency and form required by the Comptroller's office.





## System Reponse

*Agree. As a corrective measure to ensure all payments to all employees are sent to the State Comptroller, payroll dollar amounts from the PeopleSoft Payroll Summary Report are reconciled against the payroll vouchers sent to the HRIS. This reconciliation is done on all pay runs including monthly, semi-monthly, and off-cycles.*

## Purchase, Payment Card and Contract Transactions

Auditors developed a sample of 25 purchase transactions totaling \$1,196,723.02. Two contracts with values of \$1,471,562.31 and \$917,500.00 were also selected along with a sample of 12 contract payment transactions totaling \$689,668.76 to ensure the System complied with the GAA, [eXpendit \(FPP I.005\)](#), [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Using reports generated outside the sample, auditors also selected 37 payment card transactions totaling \$79,127.81 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	\$1,471,562.31	Staff Augmentation Services	No exceptions	Missing record of bid proposal receipts	Administrative review of respondent solicitation not conducted	<ul style="list-style-type: none"><li>• Missing vendor compliance verifications.</li><li>• Incorrect reporting to the Legislative Budget Board.</li></ul>	No exceptions
Contract B	\$917,500.00	Network Consulting Services	Missing contract development documentation	Incorrect procurement method used	No exceptions	<ul style="list-style-type: none"><li>• Missing vendor compliance verifications.</li><li>• Missing required contract clauses.</li></ul>	<ul style="list-style-type: none"><li>• Failure to report to the Vendor Performance Tracking System.</li><li>• Weakness in contract monitoring.</li></ul>

## Missing Record of Bid Proposal Receipts

Auditors identified one contract where the System failed to provide evidence of timely and complete receipt of proposals during the bid process. Responses must be received on or before the due date and time designated in the solicitation. To ensure fairness to all respondents, no submitted responses should be opened or reviewed before



the due date and time has passed. For best business practices, see the [State of Texas Procurement and Contract Management Guide](#) – Solicitation – Receipt and Control of Responses. Without evidence of when proposals were received, auditors could not determine if the proposals were opened in a fair and timely manner. According to the System, proposals were received in boxes and the time stamp recorded on the box for the System's staff to verify the proposal came in before the deadline; however, the boxes were discarded. In 2019, the System implemented a request for proposals (RFP) software that automatically verifies if minimum requirements are met.

### Recommendation/Requirement

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The System must conduct a managerial review immediately after the proposal deadline for the contract. The review should include a check for records of proposal receipts indicating time and date.

### System Reponse

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*Agree. UT System Administration purchased RFP software (Bonfire) in 2019 that automatically verifies if minimum requirements are met. This RFP software ensures the timely and complete receipt of proposals during the bid process. The Contracts and Procurement Department will continue to use best business practices, following the state of Texas procurement and contract management rules as they apply to higher education.*

### Missing Contract Development Documentation

Auditors identified one contract that lacked sufficient planning documentation, such as a contract developer's acquisition plan, needs assessment and cost estimate. According to the System, it used its exclusive acquisition justification (EAJ) process to procure this contract as the vendor was already providing the needed services to another component of the System. It used the RFP that the other component issued as justification for the EAJ; therefore, an acquisition plan, needs assessment and cost estimate were not included in the documentation for the contract.

The acquisition plan and the other planning documents listed above ensure the procurement is solicited, negotiated, executed and managed in a way that delivers best value to the state. It also ensures the contract requirements are satisfied, the goods and services are delivered in a timely manner, and the financial interests of the agency are protected. The contract manager is responsible for maintaining a master contract file of records produced throughout the life of the contract. For best business practice, see [State of Texas Procurement and Contract Management Guide](#) – Procurement Planning and Contract Management Sections.



## Recommendation/Requirement

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To ensure successful procurements, appropriate transition from contract development to management and monitoring, and best practices in contracting, the System should develop and maintain procurement and contract documentation such as the acquisition plan, needs assessment and cost estimate.

## System Reponse

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*Agree. A contract management software program (ASC) has been purchased and will be implemented before or by end of the fiscal year, Aug. 31, 2022. ASC software has a front entry module for end-users to input valuable procurement and contract development information to be reviewed by the Contracts and Procurement Department to ensure appropriate planning and documentation in the record. The UT System Administration will develop and maintain proper procurement and contract documentation, including using the exclusive acquisition justification (EAJ) appropriately to ensure that all procurements are solicited, negotiated, executed, and managed to safeguard the financial interests of UT System Administration. The Contracts and Procurement Department will continue to use best business practices, following the state of Texas procurement and contract management rules as they apply to higher education.*

## Incorrect Procurement Method Used

Auditors identified one contract and one purchase transaction where the System failed to select the correct procurement method when procuring the services. The System should have issued a competitive solicitation, but instead issued an EAJ, which is a proprietary/sole source procurement.

The contracts are for a client relationship management software solution and for network consulting services. The System used its EAJ forms detailing the reason it believed these contracts were proprietary purchases. While the forms provided a clear explanation of the various products available, they did not identify any feature(s) that the selected vendors uniquely offer and that the System requires. The unique characteristics, sources evaluated, and the risk elements noted on the forms are not sufficient to support the determination of not soliciting competitive proposals.

The correct procurement method must be identified early in the procurement process. If an incorrect procurement method is selected, the purchase may not result in best value to the state and will most likely be more expensive and less efficient than the correct method and, in the worst case, may result in a void contract that must be resolicited. If not exempt by the GAA, [Texas Government Code, Chapter 2151](#), or other statute, a purchase must be competitively bid, or the purchase should satisfy the requirements of a proprietary sole source purchase and a proprietary





purchase justification should be placed in the procurement file. As defined by [Texas Government Code, Section 2155.067\(c\)](#), the written justification must explain the need for the specifications; state the reason competing products are not satisfactory; and provide other information requested by the Comptroller.

Additionally, during the initial term of one of the contracts, the System determined that it was an “evergreen” contract with no end date. This resulted in an increase in the total value of the contract to over \$1 million and made the contract subject to additional reporting requirements for contracts of that size. A contract that provides for automatic and perpetual extensions could circumvent the state requirement for competition and may not include required terms and conditions added by the Legislature in future legislative sessions. As a result, this contract was missing vendor compliance checks, the Texas Ethics Commission Certificate of Interested Parties (Form 1295), the State Auditor’s nepotism disclosure statement, and had late/incorrect reporting to the Legislative Budget Board.

## Recommendation/Requirement

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The System must follow procurement procedures to accurately and effectively select the procurement method that best achieves the identified business requirements and procurement objectives while adhering to state statutes regarding competitive procurement.

## System Reponse

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*Agree. A contract management software program (ASC) has been purchased and will be implemented before or by end of the fiscal year, Aug. 31, 2022. ASC software has a front entry module for end-users to input valuable procurement development information for review by the Contracts and Procurement Team to ensure procurement methods that best achieve identified business requirements and procurement objectives while adhering to state statutes regarding competitive procurement. The Contracts and Procurement Department will continue to use best business practices, following the state of Texas procurement and contract management rules as they apply to higher education.*

## Administrative Review of Respondent Solicitation Not Conducted

Auditors identified one contract that did not contain evidence that the System completed an administrative review of the responses. According to the System, at the time of the procurement, it used a manual process of documentation. In 2019, the System implemented an RFP software that automatically verifies whether minimum requirements are met.



After the responses are opened and recorded, the contract developer must determine which submissions are responsive to the solicitation and only evaluate those responses. The administrative review is "pass/fail." Auditors recommend that the contract developer use a checklist to document the results of the administrative review. For best business practices, see the [State of Texas Procurement and Contract Management Guide](#) – Vendor Selection – Administrative Review of Responses.

## Recommendation/Requirement

The System must follow procurement procedures and complete an administrative review of the responses. The System should maintain the administrative review documentation as part of the contract file.

## System Reponse

*Agree. UT System Administration purchased in 2019 an RFP (Bonfire) software that automatically verifies bid response requirements are met. The software was purchased after deciding a manual process was open to risks. The Contracts and Procurement Department (CNP) will add a process documenting administrative review in the RFP software. CNP will also ensure the document is added to the RFP solicitation folder. These processes will be implemented by May 31, 2022. The Contracts and Procurement Department will continue to use best business practices, following the state of Texas procurement and contract management rules as they apply to higher education.*

## Missing Vendor Compliance Verifications

The System was unable to provide a screen print of the vendor compliance verification (VCV) documents for 15 purchase transactions, eight payment card transactions and the two contracts reviewed. The System must provide a screen print showing that each verification was performed. According to the System, it believed that leases do not qualify as contracts for goods and services. The System mistakenly believed the debarment check was being performed by its accounting system at voucher creation. It believed that the boycott Israel and foreign terrorist organization checks were covered by contract clauses.

## Debarment Check

The System did not search the [Debarred Vendor List](#) before entering into the contract for 15 purchase transactions and both contracts. The contract developer must 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. See [Texas Government Code, Section 2155.077](#).



## Warrant Hold Check

The System did not verify the vendor's warrant hold status before making a purchase or executing a contract for 15 purchase transactions and both contracts. The System must check 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 System 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 System may not enter into a written contract unless the contract requires the System's payments under the contract to be applied directly toward eliminating the vendor's debt or delinquency. The requirement specifically applies to any debt or delinquency, regardless of when it arises. Although payments made through USAS are automatically checked for holds, and the system identifies payments issued to persons with outstanding state debt, this does not relieve an institution of higher education from conducting the warrant hold status check, per [Texas Government Code, Section 2252.903\(a\)](#).

## Iran, Sudan and Foreign Terrorist Organization List Check

The System could not provide documentation showing it performed the Iran, Sudan and foreign terrorist check before entering into the contract for 10 purchase transactions and awarding both contracts. Agencies 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 award to determine if the potential awardee is in violation of this requirement. The Texas Safekeeping Trust Company maintains the divestment lists and posts them to the Comptroller's [Divestment Statute Lists website](#). Agencies cannot award a contract to a vendor that is in violation.

## Boycott Israel Check

The System could not provide documentation showing the boycott Israel check was made before entering into the contract for 10 purchase transactions and awarding both contracts. Agencies 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 2271](#). Before contract award, agencies must check the divestment on the Comptroller's [Divestment Statute Lists website](#) to determine if the potential awardee is in violation of this requirement. If the potential awardee is on the list, an agency cannot award the contract to that vendor.





## Recommendation/Requirement

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The System must conduct each VCV search and save a printout of the dated searches in the procurement file before any purchase, contract award, extension or renewal.

## System Reponse

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*Agree. The Visual Compliance software platform will be implemented by Nov. 30, 2021, under the supervision of the Director of Contracts and Procurement (CNP). This will address missing vendor compliance verifications.*

## Failure To Report to the Vendor Performance Tracking System

Auditors identified seven purchase transactions and one contract where the System failed to report purchases and contracts over \$25,000 to the Vendor Performance Tracking System (VPTS). The System stated that it did not report to the VPTS as it believed that institutions of higher education are exempt from this requirement.

SPD administers VPTS for use by all ordering agencies per [34 Texas Administrative Code, Section 20.115](#). VPTS relies on agency participation to gather information on vendor performance. Ordering entities are also encouraged to report vendor performance for purchases under \$25,000. See [Texas Government Code, Section 2155.089](#).

## Recommendation/Requirement

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The System must report purchases over \$25,000 to VPTS to identify suppliers demonstrating exceptional performance, aid purchasers in making a best value determination based on vendor past performance, and protect the state from vendors with unethical business practices. Reporting also identifies vendors with repeated delivery and performance issues, provides performance scores in four measurable categories for Centralized Master Bidders List (CMBL) vendors, and tracks vendor performance for delegated and exempt purchases.

## System Reponse

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*Disagree. UT System Administration: REFERENCE: Memo dated Sept. 24, 2020, to State Comptroller of Public Accounts by UT System Administration's Vice-Chancellor & General Counsel: "...Institutions of Higher Education (IHEs) are not required to submit vendor performance information to the Comptroller. IHEs acquire goods and services pursuant to Education Code, Section 5.19335. That section provides that Subtitle D, Title 10, Government Code (including Chapter 2155) does not apply to the acquisition of goods or services by IHEs. The requirements for use of the VPTS are found in Government Code, Section 2155.089, from which IHEs are expressly exempt." The 87th Legislature has approved SB 799, which explicitly exempts IHEs from the VPTS.*



## Comptroller Response

While it may appear at first that Education Code, Section 51.9335(d) exempts institutions of higher education from Government Code, Title 10, Subtitle D, such a broad exemption would conflict with the definition of “state agency” in Chapter 2151, which specifically includes such institutions. Due to that apparent conflict, the references to “acquisition” and “procurement” in Section 51.9335 must be read as limiting the scope of the exemption. Specifically, institutions of higher education are exempt from procurement provisions in Subtitle D but must follow the rest of the subtitle. Because the reporting of vendor performance under Section 2155.089 is not part of the procurement of goods and services and cannot possibly occur until the procurement process is complete, it is outside the scope of the 51.9335(d) exemption. In addition, the fact that the Legislature listed certain acquisition provisions that apply to institutions of higher education, HUB and procurement from persons with disabilities further illustrates the distinction between the acquisition provisions in Subtitle D and the rest of Subtitle D. Both the HUB statutes and the procurement from persons with disabilities provisions affect how goods and services are acquired, specifying procurement processes and, for some goods, which vendors must be used. Senate Bill No. 799, 87th Leg., 2021, amended Section 2155.089(c), Government Code, to exempt institutions of higher education from VPTS reporting requirements for contract solicitations that began on or after Sept. 1, 2021.

## Weakness in Contract Monitoring

Auditors identified one contract that lacked oversight of contract monitoring. The contract, effective April 19, 2018, had a termination date of April 18, 2019. An amendment extended the original contract term to expire Oct. 31, 2019. Although the amendment’s effective date is listed as April 19, 2019, the amendment was not executed (signed by both parties) until Aug. 2, 2019. As a result, services were provided and one payment in the amount of \$80,000 was made in July 2019 outside of the contract terms.

In addition, services were provided and two payments totaling \$72,500.00 made on November 2019 after the extended contract expiration date of Oct. 31, 2019. This resulted in these two payments also being made outside of the contract terms. According to the System, these errors occurred due to an administrative and contract monitoring oversight.

Monitoring the contract’s performance is a key function of proper contract administration, both to ensure the contractor is performing all contract obligations and so the agency can be aware of and address any developing problems. For best business practice, see [\*State of Texas Procurement and Contract Management Guide\*](#) – Contract Management – Monitoring Methods.



In addition, a state agency must inspect and evaluate at the time of receipt all goods or services to determine whether the goods or services comply with the contract under which they were purchased, and certify, if true, that the goods or services comply with contract requirements and that the invoice for them is correct. See [Texas Government Code, Section 2155.322](#).

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### Recommendation/Requirement

The System must enhance its policies and procedures to ensure appropriate contract monitoring processes are in place for each awarded contract (or each type of contract) and document those procedures in its procurement files. The System must ensure that procurement personnel execute amendments before the contract expiration date.

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### System Reponse

*Agree. The Contracts and Procurement Department has strengthened the monitoring and administrative process via templates and processes and will continue to follow the state of Texas procurement and contract management rules as they apply to higher education. The contract and monitoring process will also be strengthened through the implementation of ASC, a contract management software program, which will be implemented by Aug. 31, 2022.*

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

Auditors identified one purchase transaction missing the required Texas Ethics Commission (TEC) Certificate of Interested Parties (Form 1295). Certain contracts valued at \$1 million or more require completion of Form 1295. Before contract award, the vendor must give the agency a completed signed form with the certificate of filing number and date. The contract developer then acknowledges the form on the TEC website. It is best practice to include a reference to Form 1295 in the solicitation to allow the vendor to gather the pertinent information early in the process. According to the System, the agreement was originally executed before the form requirement, and when amendments were executed, it was overlooked.

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### Recommendation/Requirement

The System must ensure any vendor involved in contract awards of \$1 million or more completes Form 1295 located on the [TEC website](#).

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### System Reponse

*Agree. UT System will ensure vendors involved in awarded contracts of \$1 million or more complete Form 1295. In addition, the ASC (contract management software program) implementation will further strengthen controls through automation of the process by*





*Aug. 31, 2022. In the meantime, to enhance compliance while ASC is put in place, UT System has a Contract Processing Checklist with Form 1295 requirements in place to help manage and administer these contract requirements.*

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

The System failed to have each employee involved in the procurement of two purchase transactions complete and sign SAO nepotism disclosure statement forms. The System stated that it believed that leases do not qualify as contracts for goods and services. Additionally, one contract was not over \$1 million dollars when initially executed; however, it was later determined that the contract was "evergreen" and of an infinite value. 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; who is to be awarded a major contract; preparation of a solicitation for a major contract; or evaluation of a bid or proposal. See [Texas Government Code, Section 2262.004](#).

## Recommendation/Requirement

The System 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.

## System Reponse

*Agree. The State Auditor's Office (SAO) nepotism disclosure statement requirements are part of the revised Contracts Processing Checklist to ensure compliance. An automated process to further strengthen internal controls will be in place through ASC, a contract management software program, implemented by Aug. 31, 2022. UT System Administration and the Contracts and Procurement Department will ensure all personnel involved in awarding contracts of at least \$1 million sign the SAO disclosure statement for purchasing personnel and will retain the SAO signed statements in the contract file.*

## Incorrect Reporting to the Legislative Budget Board

Auditors identified nine purchase transactions and one contract where the System failed to report (four), reported late (four) or incorrectly reported (two) the contract to the Legislative Budget Board (LBB). [General Appropriations Act \(GAA\), Reporting Requirements, Article IX, Section 7.04](#) requires a state agency that receives an appropriation under the GAA to report a contract with a value greater than \$50,000,



"without regard to source of funds or method of finance associated with the expenditure, including a contract for which only non-appropriated funds will be expended." The submission must include required documentation such as the award, solicitation documents, renewal, amendments, addendums, extensions, attestation letters and certain types of supporting records related to contracts. Contracts initially reported to the LBB database do not have to be reposted on the web under [Texas Government Code, Section 2261.253\(g\)\(1\)](#). Also see the [LBB Contract Reporting Guide](#). According to the System, it believed that leases do not qualify as contracts for goods and services. Two of the contracts were executed outside the contracting department, and LBB reporting was overlooked. Six of the contracts were executed before the establishment of the UTS Contracts and Procurement department. Since the formation of the department, changes have been implemented to improve timely submission.

## Recommendation/Requirement

The System must report all applicable contracts to the LBB in compliance with the [LBB Contract Reporting Guide](#).

## System Reponse

*Agree. The UT System Administration Contracts and Procurement Department did not report seven purchase transactions and one contract as required. All CNP staff members who input records in the LBB database have participated in training to review required data reporting requirements, and to ensure changes in contracts and cumulative transactions meet threshold requirements. In addition, department trainings held annually and ad hoc, as requested by the end-user, will raise awareness with the reporting of all goods and services to ensure accurate LBB reporting. As a further improvement, by May 2022, a Robotic Process Automation (RPA ) will be implemented by the UT System Administration Contracts and Procurement Department to further enhance the LBB reporting process. The Contracts and Procurement Department will continue to use best business practices, following the state of Texas procurement and contract management rules as they apply to higher education.*

*Disagree. General Appropriations Act Article IX, Section 7.04 sets out the relevant obligations. The GAA requires reporting of contracts for goods or services, not real estate. Section 7.04(a) defines "contract" to include "a contract, grant, or agreement, including a revenue-generating contract, an interagency or interlocal grant or agreement, purchase order or other written expressions of terms of an agreement or an amendment, modification, renewal, or extension of such for the purchase or sale of goods or services." Real estate leases are not specifically mentioned. While UT System agrees that "leases" meet the dictionary definition of "contract," UT System does not agree that the General Appropriations Act, GAA, requires reporting of real estate leases. Its specific references to "goods and services" contracts make that clear.*



## Comptroller Reponse

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Lease transactions are “services” as defined by the Statewide Procurement Division and the LBB. Per the LBB’s FAQs, “[W]hile both sections 7.04 and 7.12, Article IX, GAA contain a list of items considered to be contracts, neither of these lists is exhaustive and do not provide a complete definition of the term ‘contract.’ Leases, which fall within the dictionary definition of the term ‘contract,’ are therefore contracts for the purpose of these contract reporting requirement provisions.” The Comptroller’s office verified with the LBB that any lease, including a real estate lease, is a reportable contract.

## Incorrect Amount Paid

Auditors identified one purchase transaction in which the System paid for rental of conference space that exceeded the contracted amount. An amendment to the original agreement was not executed to increase the amount of the contract. The System stated that this occurred because the department holding the conference did not inform contract management of the increased cost until the invoice from the vendor was received. The System has established additional controls to prevent this from happening again.

When a state agency or institution of higher education and a vendor agree to a certain rate or quantity, any amount above the rate or quantity may not be paid unless the contract is amended by the vendor providing additional consideration. In addition, any amendments must be completed before the vendor provides goods or services. For best business practice, see the [State of Texas Procurement and Contract Management Guide](#), Contract Management – Contract Manager Responsibilities, which states that the contract manager is responsible for ensuring contract requirements are satisfied, goods and services are delivered in a timely manner, and the financial interests of the agency are protected.

## Recommendation/Requirement

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The System must review and compare the invoices for completeness and accuracy and compare them to the contract to ensure that payments do not exceed the amounts authorized in the contract. Any amendments to the original contract must be documented. Additionally, the System should ensure that employees who expend funds are trained in the procurement policies and procedures.

## System Reponse

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*Agree. The Contracts and Procurement Department (along with the Accounts Payable Department when appropriate) will hold individuals and departments accountable through training when warranted and will measure the non-compliant purchasing activity and conduct departmental specific trainings if further non-compliant activity occurs.*





## Inadequate Contracting Process

Auditors identified one purchase transaction where the System significantly changed the terms and scope of the contract without reprocurring, which does not meet contracting requirements. The contracting process resulted in potential lost opportunities in soliciting services, appearance of unfairness to potential vendors and overriding of applicable requirements. According to the System, this occurred to ensure continuity of services with the existing vendor. These contract irregularities include:

### Procurement Process Not Performed

During the review of this transaction, auditors determined that the System should have issued a new competitive solicitation when it identified additional needs. Instead, it executed amendments and included EAJ forms to justify expanding the scope and the term, citing continuity of services. The EAJ forms did not include an assessment of other vendors that could provide the additional services or the costs associated with reprourement. The System needed to show that it went through the procurement process and that it selected the provider that demonstrated competence and qualifications to perform the services at a fair and reasonable price. Because the System did not reprocur these services, it may have lost an opportunity for cost savings and administrative efficiencies.

Material or substantial changes that alter specifications and are not reprocured do not comply with competitive bidding requirements. Early in the procurement process, the System should have done a needs assessment and a cost estimate and developed an acquisition plan. If additional needs were identified after the contract was executed, the System should have evaluated the effect of those needs on the scope and either reprocured the existing contract or procured a new contract. If not exempt by the GAA, [Texas Government Code, Section 2151](#) or other statute, a purchase must be competitively bid, or the purchase should satisfy the requirements of a proprietary sole source purchase and a proprietary purchase justification should be placed in the procurement file. As defined by [Texas Government Code, Section 2155.067\(c\)](#), the written justification must explain the need for the specifications; state the reason competing products are not satisfactory; and provide other information requested by the Comptroller.

### Inadequate Contract Value Estimate

The System did not document the total contract value. For reporting, review and delegation requirements, contract value is defined as the total cost or monetary value of the contract, including all potential contract extensions or renewals whether automatic or by operation of additional documentation. See the UT System Contract Management Handbook and [Board of Regents' Rule 10501, Section 3.1.1](#). Contract value, therefore, is not limited to just the cost for the initial term; it is determined by the total value of the



contract over its complete term. Procurement planning is a crucial step to the successful outcome of any procurement. Agencies should perform a needs assessment using tools such as market research, historical spend analysis, request for information (RFI) and benchmarking, among others, to develop an accurate cost estimate.

## Recommendation/Requirement

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The System must follow procurement procedures to accurately and effectively execute amendments or reprocure solicitations that best meet procurement objectives while adhering to state statutes regarding competitive procurement.

The System should reevaluate and improve its contracting and procurement process and improve its procurement planning process to ensure it meets the applicable and appropriate requirements.

Improvement to the process should include developing appropriate procurement cost estimates to be used not only in the selection of the appropriate procurement method, but also for compliance with statutory requirements based on contract value, funding source or expenditure restrictions and prohibitions.

To ensure successful procurements, the System should develop acquisition measures such as qualification evaluation and contract monitoring tools, and must maintain the complete records in the contract files. For best business practices, see [State of Texas Procurement and Contract Management Guide](#) – Procurement Planning.

## System Reponse

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*Agree. The UT System Administration Contracts and Procurement department has developed and will continue the improvement of procurement procedures to actively and effectively execute amendments or reprocure solicitations while adhering to state statutes regarding competitive procurement. A contract management software program (ASC) has been purchased and will be implemented before or by the end of the fiscal year, Aug. 31, 2022. ASC software has a front entry module for end-users to input procurement and contract development information to be reviewed by the Contracts and Procurement Department. This will ensure appropriate planning and documentation in the record. The Contracts and Procurement Department will continue to use best business practices, following the state of Texas procurement and contract management rules as they apply to higher education.*

## Travel and Travel Card Transactions

Auditors developed a sample of 25 travel transactions totaling \$6,527.66 to ensure the System complied with the GAA, [Texttravel \(FPP G.005\)](#) and pertinent statutes. Using a report generated outside the sample, auditors also selected 10 travel card transactions totaling \$27,024.85 for testing. Audit tests revealed the following exceptions for this group of transactions.



## Misuse of Travel Card

During the review of the travel card transactions, auditors identified three instances where a cardholder used a state-issued travel card for personal purposes. Additionally, in each of the instances, the purchases were made in the employees' headquarters while the employees were not traveling. Auditors also identified one instance where a cardholder made a purchase for a group business dinner. According to travel card policy, the card is intended to be used only by the individual to whom it is issued. The System stated that it did not reimburse the cardholders for the personal charges; however, the business charge was reimbursed. According to the System, its monthly review of reconciliations was not accurate. It has implemented additional training and will continue to offer it to employees.

A credit card issued to a public servant under a program where the card is issued at the direction and under the control of the state of Texas for state purposes may not be used for personal expenditures or any other type of expenditure not reimbursable as a state business expense under state law. See [Ethics Advisory Opinion No. 147 – Texas Ethics Commission](#). According to [34 Texas Administrative Code Section 20.413\(d\)](#), state agencies must cancel state travel credit cards when an employee uses the card for personal transactions or for any other misuse.

## Recommendation/Requirement

The System must ensure that all state-issued travel card transactions are properly reviewed and ensure its travel cards are used in accordance with the applicable rules and requirements. The current state credit card administrator, Citibank, offers reports that can assist the System in monitoring its credit card usage. The System must offer periodic training to its credit card holders on proper use of state-issued credit cards.

## System Reponse

*Agree. The credit card issued to the employee who had three travel card purchases for personal use has been canceled. (Per Title 34 Texas Administrative Code, Rule 20.413(d).) UT System Administration did not reimburse the cardholder for the personal charges. In addition, the employee was made aware of the policy by department management, underscoring that a state card under the control of the state of Texas is not to be used for personal expenditures.*

## Travel Card Used by Unauthorized User

During the review of the travel card transactions, auditors identified three transactions where airfare purchases were made for a nonprofit entity. The card used for these purchases was issued to the System but activated for the sole use of the nonprofit entity and is not monitored or reviewed by the System. Payment to Citibank is made by the





entity. Only entities eligible to use travel contracts as listed in [34 Texas Administrative Code Section 20.406](#) may use the travel card, and the entities may only approve issuance of cards to their respective employees. According to the System, it was not aware that the entity was not an authorized user.

## Recommendation/Requirement

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The System must ensure its travel cards are issued in accordance with the applicable rules and requirements. The System must discontinue use of this card for the nonprofit entity.

## System Reponse

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*Agree. The non-profit entity University of Texas/Texas A&M Investment Management Company (UTIMCO) was issued the travel card by UT System Administration not realizing that the agency was ineligible for travel card use. Essentially, UT System Administration was not aware that the non-profit entity was an unauthorized user. In compliance with the applicable rules and requirements, UT System Administration will cancel and discontinue use of the card.*

## Fixed Assets

Auditors reviewed a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of the assets. All assets tested were in their intended locations. Audit tests revealed no exceptions in these transactions.

## Internal Control Structure

The review of the System's internal control structure was limited to obtaining reports identifying current user 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 System'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 System may have relating to security or internal transaction approvals in USAS or TINS.

During the audit period, auditors identified an employee with security conflicts. One employee was on the System's signature card (could approve a paper voucher for expedite) and was on the System's Authorization for Warrant Pickup list. The System



stated that due to a change in personnel, it did not properly ensure internal controls and separation of duties specific to the signature card and warrant authorization pickup list. It is creating a process to strengthen internal controls over these areas.

## Recommendation/Requirement

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

## System Reponse

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*Agree. UT System Administration has reviewed the controls over expenditure processing to ensure the segregation of duties and quality control so that no individual will process payments without keen oversight. UT System has ensured that user access is limited by removing the same user from either the signature card or from the authorization for warrant pickup list, thereby strengthening internal controls over both of these areas and mitigating further risks.*

## Security

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

### Employee Retained Security To Expend Funds After Termination

During the audit period, the System failed to submit a timely request to the Comptroller's office for one terminated employee who had been designated to approve expenditures. The lack of timely notification meant the employee retained USAS security for seven days after termination. The employee could have approved expenditures submitted to the Comptroller's office during that time. Any expenditure that was approved under the employee's expired authority would have constituted an unapproved expenditure. Auditors ran a report and determined that there were no expenditures submitted by the employee after the termination date. According to the System, due to reorganization, the roles and responsibilities for the Comptroller systems access and authorizations were in transition. As a result, it had a delay in notifying the Comptroller's office of the change. It has since adjusted internal processes to prevent this delay from occurring in the future.



Whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination. See [34 Texas Administrative Code Section 5.61\(k\)](#). Any officer or employee may send the Comptroller's office notification of termination or revocation. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

## Recommendation/Requirement

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The System 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 for the agency.

## System Reponse

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*Agree. The Controller's Office did not receive notification of the organizational change in a timely manner. UT System Administration has since corrected the internal process to prevent this from future occurrences. Once notified of the employee's departure, the Controller's Office removes the USAS security profile to prevent the employee from executing electronic payment approvals.*





# 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 University of Texas System (System) payroll, purchase and travel transactions that processed through USAS from Dec. 1, 2018, through Nov. 30, 2019, to determine compliance with applicable state laws.

The System 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 System should implement the recommendations listed in the Detailed Findings of this report. It is the System's responsibility to seek refunds for all overpayments. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the System's documents comply in the future. The System 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*

*Monica R. Garcia, CTCD, Co-Lead Auditor*

*Mayra Castillo, CTCD*

*Chris Taylor, CIA, CISA*



## 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.