



# An Audit of **Angelo State University**

**Audit Report # 737-21-01**  
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# Executive Summary

## Purpose and Scope

The objectives of this audit were to determine whether Angelo State University (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.
- 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 Sept. 1, 2019, through Aug. 31, 2020.

## Background

The University was founded in 1928 as San Angelo Junior College. It became San Angelo College in the 1930s, then Angelo State University in the 1960s, and is now part of the Texas Tech University System. The University's mission is to provide competitive graduates to the global marketplace by delivering quality programs in a values-focused and student-centered teaching and learning environment.



Angelo State University website  
<https://www.angelo.edu/>


## Audit Results

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

Auditors reissued two findings related to incorrect longevity payments and warrant hold checks on payment cards from the last audit conducted at the University. Auditors originally issued these findings in December 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?	 Incorrect state effective service date/incorrect longevity & hazardous duty pay amounts. <ul style="list-style-type: none"> <li>• Incorrect amount paid for accrued compensatory time (overtime).</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/incomplete record of bid proposal documentation.</li> <li>• Missing State Auditor's Office (SAO) nepotism disclosure forms.</li> <li>• Missing Texas Ethics Commission (TEC) Certificate of Interested Parties (Form 1295).</li> </ul>  Missing vendor compliance verifications. <ul style="list-style-type: none"> <li>• Missing required contract clause.</li> <li>• Incorrect/late reporting to the Legislative Budget Board (LBB).</li> <li>• Missing contract monitoring documentation.</li> <li>• Failure to report to the Vendor Performance Tracking System (VPTS).</li> <li>• Prompt payment and payment scheduling errors.</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?	State travel card not used for airfare	<b>Compliant, Findings Issued</b>
<u>Fixed Assets</u>	Were tested assets in their intended locations and properly reported in the State Property Accounting system or University inventory?	No issues	<b>Fully Compliant</b>
<u>Targeted Analysis</u>	Did the University comply with Comptroller requirements for the payment card rebate program?	Loss to the rebate payment card program	<b>Compliant, Findings Issued</b>

 Repeat Finding





Area	Audit Question	Results	Rating
<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>
Security	Are University employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	No issues	<b>Fully Compliant</b>



## Key Recommendations

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

- Confirm the amount of lifetime service credit for new employees and compute the correct effective service date to prevent incorrect longevity payments.
- Ensure employees are paid correctly for accumulated compensatory time earned for working overtime.
- Report all payroll and personnel transactions to the Human Resource Information System (HRIS) in a timely manner.
- Retain all documents relating to procurement and contracts and ensure the required procurement documents are completed.
- Consult University legal counsel and include all Texas required contract clauses in contract templates.
- Report contract awards including amendments to the Legislative Budget Board (LBB) and the Vendor Performance Tracking System (VPTS).
- Document contract monitoring with site visit checklists and a report at the conclusion of each monitoring visit.
- Review procedures to ensure the University both submits payment information for processing and releases payments in a timely manner to avoid incurring interest.
- Properly review all state-issued travel card transactions and ensure they are only used in accordance with applicable rules and requirements.
- Change University payment processes to comply with requirements, take advantage of rebates, and avoid the double penalty of lost rebates and statutory interest.
- Segregate expenditure processing tasks to the maximum extent possible to ensure no individual can process payments without oversight.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$352,263.69 from a group of 30 employees and 116 payroll transactions to ensure the University complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed the following exceptions in this group of transactions.

Additionally, auditors reviewed a limited sample of 18 voluntary contribution transactions; no exceptions were identified.

## Incorrect State Effective Service Date/Incorrect Longevity and Hazardous Duty Pay Amounts

Auditors identified 10 employees in the sample with incorrect effective service dates, which resulted in incorrect longevity and hazardous duty payments to nine of the 10 employees. The 10th was employed at the University too briefly for the longevity amount to change, resulting in a possibly inaccurate payment. For two additional employees, auditors could not recalculate the effective service dates to confirm whether longevity payments were correct.

The incorrect effective service dates resulted from a combination of the following:

- The University has been calculating prior state service based on months of service instead of days of service, so employees incorrectly received credit for a full month even if they did not begin/end employment on the first/last workday of the month. This occurred in eight of the errors noted.
- The University's HR/payroll system was configured with a \$300/month maximum for hazardous duty payments. This occurred in two of the errors noted.
- The University did not credit an employee with any days in their first month even though their first day of work began on the first workday of the month. This occurred in one of the errors noted.
- The University incorrectly counted an employee's prior employment at a community college (not related to hazardous duty) as prior state service. This occurred in one of the errors noted.
- The University undercounted several years and overcounted several months of an employee's prior state service periods (for hazardous duty) due to an entry error. This occurred in one of the errors noted.



Auditors could not recalculate effective service dates for the two additional employees since detailed employment start and end dates from many years ago were not maintained in the current HR/payroll system or in the employees' files.

When lifetime service credit and state effective service dates are incorrect, longevity and/or hazardous duty entitlements might be paid incorrectly. The incorrect state effective service dates noted in the audit sample resulted in overpayments to seven employees totaling \$1,620 and underpayments to two employees totaling \$10,098.

Longevity pay is an entitlement based on total state service; it is paid to eligible employees each month in addition to base salary. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).

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. However, an employee who is on leave without pay for an entire calendar month does not accrue lifetime service credit for that month. An employee's state effective service date is derived by subtracting total days of lifetime service credit from the most recent employment date. The date is used to determine when longevity pay is to be increased. See [Texas Payroll/Personnel Resource – General Provisions – Lifetime Service Credit](#).

Certain state employees perform hazardous duties and are eligible for hazardous duty pay. 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. See [Texas Payroll/Personnel Resource – Agency Specific Provisions – Hazardous Duty Pay](#).

## Recommendation/Requirement

University management must ensure longevity and hazardous duty payments are correct by:

- Using a method of calculating an employee's effective service date that is based on the number of days of eligible employment, and using an automated method of calculating the effective service date to help prevent errors, especially when an employee has multiple periods of prior service.
- Configuring the HR/payroll system to correctly pay the monthly hazardous duty amount according to state rules.



- Crediting an employee with the correct days of service when employment starts on the first workday of a month.
- Crediting employees only for eligible prior state service.
- Maintaining records of detailed University employment history for all active employees.
- Including instructions in staff training programs and associated documentation for correctly calculating lifetime service credit, state effective service dates and longevity/hazardous duty pay.

The University must determine if funds should be paid to or recovered from the employees with incorrect longevity and hazardous duty payments, per [34 Texas Administrative Code Section 5.40\(c\)](#), [Texas Government Code, Chapter 666](#) and [Texas Payroll/Personnel Resource – General Provisions – Overpayments](#).

Finally, since some of the errors resulted from incorrect methodology and system configuration, University management must determine whether the same errors exist outside of the audit sample and make corrections as necessary. University staff stated that it corrected the system configuration for hazardous duty pay. Staff is also verifying which employees have not received the increase for hazardous duty pay and will make corrections.

## University Response

*Automated method of calculating employee's effective service date that is based on the number of days of eligible employment has been in effect since July 15, 2021.*

*Configuration of Payroll system to ensure correct monthly hazardous duty amount is paid according to state rules has also been completed. Corrections of Hazard Pay to affected employees have been processed.*

*Corrections to employees' effective service dates reflected in the audit have been completed. Underpayments to employees per audit have been paid to employees. Overpayments to existing employees are scheduled to be recouped by March 31, 2022.*

*Thorough review of all employees outside of the audit scope will be completed by Aug. 31, 2022, to ensure that prior state service date is calculated correctly.*

## Incorrect Amount Paid for Accrued Compensatory Time (Overtime)

In the review of payroll transactions, auditors identified three hourly employees who each received an incorrect payment for accumulated compensatory time earned from working overtime (more than 40 hours in a workweek). In all three instances, the University did not include additional pay components (longevity and hazardous duty pay) in the rate of pay for calculating the amount owed to the employees on termination of employment. The University stated this occurred due to an oversight.





When additional pay components are not correctly included in the rate of pay, employees might be underpaid for compensatory time. All three employees in this review were underpaid for their accumulated compensatory time when they terminated employment.

Both Texas Payroll/Personnel Resource and internal University policy note that the regular rate of pay for calculating payments for banked overtime hours includes any special payments such as longevity, hazardous duty pay, benefit replacement pay, qualified bonus payments and other special payments. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Overtime](#).

### Recommendation/Requirement

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University management must ensure the University pays the employees correctly for the underpayments. All applicable additional pay components must be included in the rate of pay for computing the amount owed to employees. Additionally, staff training programs and associated documentation should include instructions for using the correct pay rate.

### University Response

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*Payroll typically includes all additional pay components in rate of pay for Compensatory time to be paid. This was just an oversight. Payroll calculates all additional pay in regular rate of pay for compensatory time paid. An additional step has been added: Payroll Director is checking compensatory time payout calculations to ensure accuracy.*

### Incorrect Reporting to HRIS

The University posts financial transactions to both the Human Resource Information System (HRIS) and the Uniform Statewide Accounting System (USAS). In a report generated outside the sample, auditors compared the HRIS and USAS reports and discovered 19 of the 30 employees in the comparison had reporting differences totaling \$124,419.21. Of the 19 discrepancies, five employees had a total of \$25,635.21 in higher reimbursement amounts in USAS than in HRIS. The University stated that due to an error in reporting, the lump-sum payments for several employees were not entered into HRIS. As a result of the audit, the University made the corrections to HRIS for the employees who were affected by the error.

In addition, auditors identified three instances in the payroll sample where the employee information was missing or entered incorrectly into HRIS.

- An employee's 2002 University termination date and 2003 University rehire date were not recorded in HRIS.
- Another employee's prior employment at the University from March 2005 to August 2006 was not recorded in HRIS.



- A payment to an employee in the sample was entered under a different employee's name than it was made to. The University stated that an input error caused the incorrect payment information.

The University was unable to identify the cause of the missing employment data.

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 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, the Comptroller's office 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

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The University 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.

## University Response

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*HRIS reporting processes have been updated to ensure all payroll and personnel transactions are reported to HRIS in a timely manner. Payroll has implemented an additional review and reconciliation procedure between the two systems on an ongoing basis.*

## Purchase, Payment Card and Contract Transactions

Auditors developed a sample of 25 purchase transactions totaling \$997,578.85, six purchases for lectures, subscriptions and books totaling \$76,825.64, and 25 payment card transactions totaling \$26,792.87. Two contracts with values of \$406,000 and \$1,856,633.29 were also selected along with a sample of nine contract payment transactions totaling \$844,402.26 to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#), University policies and procedures, and pertinent statutes. 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	\$406,000.00	Building Improvements	No exceptions	No exceptions	Missing/incomplete record of bid proposal receipts/documentation	Missing vendor compliance checks.	<ul style="list-style-type: none"><li>Missing contract monitoring documentation.</li><li>Failure to report to the VPTS.</li></ul>
Contract B	\$1,856,633.29	Building Improvements	No exceptions	No exceptions	<ul style="list-style-type: none"><li>Missing/incomplete record of bid proposal receipts/documentation.</li><li>Missing SAO nepotism disclosure statement.</li><li>Missing TEC Certificate of Interested Parties (Form 1295).</li></ul>	<ul style="list-style-type: none"><li>Missing vendor compliance checks.</li><li>Incorrect/late reporting to the LBB.</li><li>Missing required contract clause.</li></ul>	<ul style="list-style-type: none"><li>Missing contract monitoring documentation.</li><li>Failure to report to the VPTS.</li></ul>

## Missing/Incomplete Record of Bid Proposal Documentation

Both audited contracts were missing several required solicitation documents. For one of the contracts, the University was unable to locate the completed proposal questionnaire for three respondents, the Security for Faithful Payment and Performance form for two respondents, and the five percent proposal/bid bond for one respondent. The University stated that the contract was solicited during the COVID-19 pandemic when staff was working from home. As a result, some of the documentation for this contract was either misplaced or not scanned into the procurement files.

The second contract's files did not contain evidence of timely and complete receipt of proposals during the bid process. The University stated that while all respondents submitted their responses by the solicitation deadline, and the responses received date and time stamps on receipt, the University could not provide the stamped envelopes for the audit.

The procurement procedures and documentation requirements were listed in the request for competitive sealed proposals for the contract and the Texas Tech University System Contract Management Handbook.

Since some solicitation documents were missing, auditors could not ensure the University solicited, negotiated, executed and managed the procurement to deliver the best value to the state. Auditors also could not ensure the contract requirements were satisfied.





## Recommendation/Requirement

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The University should maintain all solicitation documentation in the procurement files. The University should also conduct a managerial review immediately after the proposal deadline for the contract, and the reviewers should check for dated and time-stamped records of proposal receipts.

## University Response

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*A process has been put in place to store all required documentation in shared electronic folders, including proposals and other time-sensitive emails with date/time indicated.*

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

For one of the two contracts audited, the University failed to have each employee involved in the procurement complete and sign the SAO nepotism disclosure forms. The University stated this was due to an oversight; University staff is developing new procedures to ensure required forms are completed.

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

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

## University Response

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*Agreed. The Contracts Office and Facilities Contracts Office will ensure the SAO Nepotism Disclosure Form is completed for contracts \$1 million and greater. This form has been included in our checklist for contracts/RFPs.*

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

Auditors identified one contract that was 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 certification of filing number and date. The contract developer then acknowledges the form on the TEC website. Agencies



should refer to Form 1295 in the solicitation to allow vendors to gather the pertinent information early in the process. See [Texas Government Code, Section 2252.908](#). According to the University, it thought the requirement was for contracts over \$10 million. It is updating its policies and procedures to the correct threshold and to ensure required forms are completed.

## Recommendation/Requirement

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

## University Response

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*Agree. A process has been established by the Contracts Office and Facilities Contracts Office to ensure the Texas Ethics Commission Certificate of Interested Parties (Form 1295) is completed for contracts \$1 million and greater. This form has been included in our checklist for contracts/RFPs.*

## Missing Vendor Compliance Verifications

Auditors identified the following instances where the University was unable to provide proof that staff performed vendor compliance verifications (VCVs) for five purchase transactions, 22 payment card transactions and the two contracts reviewed. The University must provide proof, such as a screen print, that each verification was performed.

## Warrant Hold Check

For 22 payment card transactions, the University did not document that staff verified the vendor's warrant hold status before making a purchase or executing a contract. The University also failed to verify the vendor's warrant hold status before executing both contracts. The University 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 University cannot proceed with a purchase made with local funds or a payment card purchase over \$500 until the warrant hold has been released. For transactions involving a written contract, the warrant hold check must be performed no earlier than the seventh day before and no later than the date of contract execution. If the vendor is on warrant hold, the University may not enter into a written contract with the person unless the contract requires the University's payments under the contract to be applied directly to eliminating the person's debt or delinquency. The requirement specifically applies to any debt or delinquency, regardless of when it arises. Although payments made through USAS are automatically checked for holds, and the



system identifies payments issued to people 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\(a\)](#) and [eXpendit - Restricted Expenditures - Persons Indebted to the State](#). Per the University, it is agency policy to perform a warrant hold check on any payment card purchase of \$500 or more, but staff has not been documenting the warrant hold check. For the two contracts, the University stated that it believed the warrant hold check generated by its system for payments would meet this requirement. However, the warrant hold check generated by the system does not occur until a payment is processed, so it does not fulfil the requirement to perform the initial warrant hold check no earlier than the seventh day before and no later than the date of contract execution.

### **Iran, Sudan and Foreign Terrorist Organization List Checks**

The University was unable to provide documentation that it performed the Iran, Sudan and foreign terrorist checks before entering into five purchase transactions and 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. The University stated it does check the divestments lists at contract execution, but has not been saving the documentation.

### **Recommendation/Requirement**

The University must conduct all VCV checks before making any purchase, contract award, extension or renewal, and must retain results from the specified website in the procurement file as evidence.

### **University Response**

*Agree. Prior to signing contracts, Purchasing Supervisor is now notified of contracts, and Purchasing Office will complete the checks for Terrorist Organizations, Franchise Tax Hold, and Vendor Hold with the State. Documentation is stored in OnBase.*

### **Missing Required Contract Clause**

Auditors reviewed two contracts for compliance with state and university procurement requirements. In one contract, auditors were unable to find the prior disaster relief contract clause required by [Texas Government Code, Section 2261.053](#).





Failure to include this required contract clause increases the risk that the University's contracts will be in violation of federal or state statutes and rules. It also increases the risk that the contracts and the University will be subject to legal challenge or regulatory action. According to the University, the contract terms and conditions used for these solicitations had not been updated. The University is reviewing and updating its contract terms and conditions and will include the required contract clause in that process.

## Recommendation/Requirement

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The University must consult its legal counsel and include all required contract clauses in its contract templates to protect the interests of the state. Any omission of a required clause must be clearly justified by counsel, and the explanation of why it was not needed or was not applicable to the particular contract must be documented in the procurement file.

## University Response

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*Agree. Contract templates have been reviewed with general counsel and revised to include required contract clauses.*

## Incorrect/Late Reporting to the Legislative Budget Board

In two purchase transactions and one contract, the University either failed to report to the Legislative Budget Board (LBB), or reported late and/or incorrectly. Both purchase transactions were reported late. The contract, with a total contract value over \$1 million, was not initially reported to the LBB and was not reported until the third amendment to the contract was executed. In addition to the failure to report and late reporting, the university incorrectly reported the contract by assigning separate identification numbers to each amendment rather than reporting it as one contract.

**[General Appropriations Act \(GAA\), Reporting Requirements, Article IX, Section 7.04](#)** requires state agencies that receive an appropriation under the GAA to report contracts with values over \$50,000 to the LBB, regardless of the funding source or method of finance associated with the expenditure, even if 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. When amendments are added to an existing contract, the contract identification number should remain the same for LBB reporting purposes. It is incorrect to assign a new identification number to each new amendment. See the **[LBB Contract Reporting Guide](#)**. As a result of the audit, the University worked with the LBB to correct the contract and gave auditors the corrected documentation on July 28, 2021. The University will continue to work with the LBB to make any other necessary corrections to its reporting.



## Recommendation/Requirement

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

## University Response

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*Agree. LBB reporting has been reviewed and internal procedures updated to report more timely and accurately. We have put processes in place to identify reportable contracts, and are making this a priority to monitor more closely and in a more timely manner.*

## Missing Contract Monitoring Documentation

Auditors found the University did not create a comprehensive site-monitoring checklist outlining the contract compliance requirements to use during inspection or site visits for either contract, though University procedures require one. Since no checklist was created, there is no documentation that the appropriate agency personnel conducted site visits during the contract. In addition, the contract manager and/or inspectors did not write a site monitoring report at the conclusion of the site visits or inspections.

The University stated that progress on both contracts was monitored via site visits by the project manager. The project manager visited the site at the end of the day and took photos of the progress made. However, for one of the contracts he did not complete inspection reports to accompany the photos, and for the other contract there was no documentation available. The University stated it has begun using PlanGrid software for on-site construction progress reports.

Monitoring the contractor's performance is a key function of proper contract administration to ensure the contractor is performing all contract obligations and so the agency can be aware of and address any developing problems. See the University's Operating Policy and Procedures, Section 30.03 – Contract Administration.

## Recommendation/Requirement

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The University should document its monitoring procedures and all site visits, create a comprehensive site-monitoring checklist, and create a site-monitoring report at the conclusion of each site visit.

## University Response

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*In January 2021, Facilities Services started documenting formal inspections using PlanGrid software. PlanGrid stores inspection reports of site observations, generates report summaries by project, and documents inspection details. The inspection form includes a checklist of observation details from the project manager observing/inspecting, pertinent to the inspection type, including observation of contractor construction quality, project photos and weather conditions.*



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

Auditors noted that 10 purchase transactions and both contracts reviewed were not reported to the VPTS as required for contracts over \$25,000. The University stated that it was decided, at the university system level, that it does not have the manpower to report to the VPTS and it believed that Universities were exempt from this reporting requirement.

The Statewide Procurement Division (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. Agencies submit the vendor performance report (VPR) electronically via the SPD web application portal. See [Texas Government Code, Section 2155.089](#). While Senate Bill No. 799, 87th Leg., R.S., 2021, amended [Section 2155.089\(c\)](#) to exempt institutions of higher education from VPTS reporting requirements for contract solicitations that began on or after Sept. 1, 2021, all of the transactions and contracts reviewed for this audit were solicited before the implementation date of the bill.

### Recommendation/Requirement

For solicitations that began before Sept. 1, 2021, the University must report purchases and contracts 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 should also identify vendors with repeated delivery and performance issues, provide performance scores in four measurable categories for Centralized Master Bidders List (CMBL) vendors, and track vendor performance for delegated and exempt purchases.

### University Response

*Disagree. General Counsel for Texas Tech University System, which includes Angelo State University, argues that higher education institutions are not required to report vendor performance to the Comptroller. University procures goods and services according to Education Code, Section 51.9335. Within this section, Subtitle D, Title 10, Government Code does not apply to procurement for goods and services for higher education. Furthermore, the requirements for vendor performance tracking are found in Government Code, Section 2155.089, from which higher education institutions are exempt.*

*In confirmation of this stance, the 87th Legislature has approved SB 799, which explicitly exempts this reporting for higher education effective Sept. 1, 2021.*





## Comptroller Response

While it may appear at first that the 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 Legislature, 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.

## Prompt Payment and Payment Scheduling Errors

### Late Payment

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

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

The Comptroller’s office computes and automatically pays any interest due under the prompt payment law when the Comptroller’s office is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#) and [eXpendit – Prompt Payment](#).

In the sample, auditors identified one purchase and 25 payment card transactions paid late without interest because the University incorrectly flagged them to refuse interest in USAS. According to the University, the first transaction was not updated when the invoice and product were delivered earlier than expected, and as a result the vendor was paid late. The payment card transactions were refused interest due to late receipt of the



monthly statement. Per the state contract, the statements are provided electronically and available to the agencies on the third of the month. The University did not make any alternative arrangements with the vendor and had access to the statements electronically on the contracted date.

## Recommendation/Requirement

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The University must review its procedures to ensure it both submits payment information for processing and releases payments in a timely manner to avoid incurring interest. In addition, the University must enter accurate due dates so that, if interest is due, it is paid correctly to vendors. Also, to minimize the loss of earned interest to the state's treasury, the University must schedule all payments over \$5,000 for the latest possible distribution in accordance with its purchasing agreements as described in [eXpendit – Payment Scheduling](#).

## University Response

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*The University provided additional staff training to help with calculation of payment dates for when these dates need to be calculated and entered manually. The University also clarified for staff the need to use the correct receipt date for payment processing, which is the latter of the invoice date, receipt of a true and correct invoice, or date goods and services are received and the proper use of the RMI indicator. The University will continue to review, train and adjust our procedures as necessary in an effort to ensure compliance with state prompt payment guidelines.*

## Travel and Travel Card Transactions

Auditors developed a sample of 25 travel transactions totaling \$15,142.86 to ensure the University complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Using a report generated outside the sample, auditors also selected 16 travel card transactions totaling \$2,633.25 for testing. Audit tests revealed no exceptions in the travel card transactions, and the following exceptions in the travel sample.

### State Travel Card Not Used for Airfare

In three travel transactions, University employees did not use a contracted state travel agency or an agency travel card for airline tickets. The employees used their personal credit cards and requested reimbursement. According to the University, it requires university employees to use the contracted travel agency or a state travel card and it plans to reinforce this requirement in its training classes for travelers. It is also putting a reminder on the dashboard in the software used for scheduling and reporting travel expenses. Travelers must use contracted travel services and a state of Texas travel card unless an approved exception exists, in which case the exception must be documented on or with the travel voucher. See [34 Texas Administrative Code Section 20.408, Section 20.413](#) and University operating policy [OP 70.03 \(1\)\(b\)](#).



## Recommendation/Requirement

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The University must ensure travelers charge all airfare to the state-issued travel credit card and use the state contracts unless an exception is noted.

## University Response

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*Agree. The Travel Office will watch more closely for the payment method for airfare. A message to travel employees has been placed on the ChromeRiver Dashboard that instructs users to only use a state-issued travel card when submitting travel requests. This is also noted in our Operating Policy 70.02. Training documentation was updated to remind travelers about this requirement.*

## Fixed Assets

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

## Targeted Analysis

The audit included a review of several special reports generated outside the sample. Auditors reviewed the University's procedures for processing these transactions to determine compliance with state rules, regulations and processing requirements. Audit tests revealed the following exception in the targeted analysis reports.

## Loss to the Rebate Payment Card Program

The University is not in compliance with the early payment discount/rebate requirements for state agencies and institutions of higher education because it failed to take advantage of early discounts/payment rebates offered by the payment card vendor.

In a report generated outside of the payment card sample, auditors reviewed all Citibank (Citi) payments processed in USAS during the audit period as part of the payment card rebate program. Auditors identified late payments resulting in interest payments to the vendor and lost discounts/rebates to the state.

Citi Charge Card contract 946-M2 contains a rebate program based on the total annual expenditures of all participating entities. In addition to the rebate percentage, an early payment incentive increases for each day a payment is received in full before 30 days from Citi's statement/invoice date. Statements are issued on the third of every month and are available to the agencies the next day, the fourth. Both the prompt payment





date and the discount rebate date start the day after the statement/invoice is available on Citi's website. Additionally, since charge-offs for delinquent accounts are deducted from the rebate as credit losses at the rebate-payable level, agencies should pay account balances as quickly as possible.

Citi currently pays a base rebate of 1.93% on payments received 30 days after the statement date, which increases by .75 basis points for each day a payment is processed before 30 days from the statement date. At 31 or more days from the statement date, no rebate is paid. Rebates accrue from the first dollar of spend on all card products including Virtual Card and ePayables (excluding individual bill).

The University did not take advantage of the discounts offered by Citi and paid the invoice on an average of 36 days after the statement date. Also, by not taking advantage of the discounts/rebates, agencies and institutions of higher education hinder the Statewide Procurement Division's ability to negotiate rebates on future contracts.

According to [Texas Government Code, Section 2251.030](#), the Legislature expects government entities to take advantage of early payment discounts, so agencies should submit payment documents to the Comptroller's office in time to do so.

## Recommendation/Requirement

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The University should change its payment processes to take advantage of discounts/rebates and avoid the double penalty of lost discounts/rebates and paying late payment interest. The University should:

- Receive its Citi Commercial Card account statements online. Online account statements are available 48 hours from the statement date.
- Work with Citibank to develop automated reconciliation for travel and purchase receipts as transactions occur or shortly after the statement is issued.
- Make partial payments, if necessary, based on supporting documentation received, and reconcile and pay as costs arise.

## University Response

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*Agree. As of the time of this audit, University had already implemented ChromeRiver for Pro-Card processing and payment, so this was no longer an issue. Payment is made in full to Citibank the first business day after the monthly statement closes. This enables University to take maximum advantage of rebates offered by Citibank.*

## Internal Control Structure

The review of the University's internal control structure was limited to obtaining reports identifying current users' access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed the following exceptions in user access.



## Control Weakness Over Expenditure Processing

Auditors reviewed certain limitations that the University placed on its accounting staff's ability to process expenditures. Auditors reviewed the University's security in USAS, the Standardized Payroll/Personnel Reporting System (SPRS), the Texas Identification Number System (TINS) and voucher signature cards that were in effect on Jan. 13, 2021.

The University had one employee with one security control issue and three employees with multiple security control issues. All four employees had the security access to enter and edit a payment voucher in USAS and release and approve payments in USAS.

In addition to the issue noted above, three of the employees also had the following security control issues. The employees could:

- Enter, edit and approve payment vouchers in USAS and create and edit a vendor profile, change the warrant hold status of a vendor, and change direct deposit information in TINS.
- Edit and update vendor and employee profiles, change the warrant hold status of a vendor, and change direct deposit information in TINS. They are on the agency signature card, so can approve paper vouchers.

The University stated these issues occurred due to limited staff availability. The University tried to remove access for one of the employees before the audit, but did not receive a confirmation of removal, and did not follow up with the Comptroller's office. Access was not removed until Jan. 8, 2020.

Auditors also ran a report to determine whether any of the University's payment documents processed through USAS during the audit because of the action of only one individual. The report indicated 11 USAS documents for payments totaling \$40,547.56 processed without electronic oversight. The University stated that while it did know a user could not release manual batches the user had entered, it did not realize that re-released uploaded batches would also be affected. As a result of the audit, it has updated the policy to ensure batches are not released by the user who entered corrections to the batches. The documents were reviewed and no issues were identified.

### Recommendation/Requirement

The University should review its controls over expenditure processing and segregate each task to the maximum extent possible to ensure no individual can process payments without oversight.

Auditors strongly recommend the University implement the following:

1. Limit user access in USAS to either enter/change voucher or release/approve batch. If it cannot separate the functions and/or does not have other internal mitigating controls in place, it must elect to have the document tracking control edit on the Agency Profile (DØ2) set to either:



- Prevent a user from releasing a batch that the same user entered or altered for the agency.
- or –
- Warn the user when the same user attempts to release his or her own entries or changes. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

Additionally, it must review the preventive and detective controls over expenditure processing discussed in [USAS Accounting and Payment Control \(FPP B.005\)](#), such as the Risky Document Report (DAFR9840), which identifies documents that the same user entered or altered and then released for processing.

2. Limit the access of users who can release/approve batches in USAS to view-only access in TINS (PTINS02). An individual must not be able to create or approve a payment and create or change a vendor profile/direct deposit information or change the warrant hold status of a vendor in TINS.
3. Limit the access of users who can approve paper vouchers (by being on the signature card) to view-only access in TINS (PTINS02). An individual must not be able to change vendor/employee direct deposit information/profiles or change the warrant hold status of a vendor in TINS and approve a payment.

## University Response

*The University makes every effort possible not to process documents without oversight; however, due to staffing limitations, more than one individual has overlapping access. Accounting tasks are segregated to the greatest extent practical. While the ability exists to process and release in USAS, it is not the daily practice of the university. We have the ability to run USAS report DAFR9840, the Risky Document Report. This report would show a list of documents that were entered or altered by the same user who released the batch. In the event that this happens, there would be an additional review of the documents.*

## Security

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





# 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
  - The 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 Angelo State University (University) payroll, purchase and travel transactions that processed through USAS from Sept. 1, 2019, through Aug. 31, 2020, to determine compliance with applicable state laws.

The University received appendices with the full report, including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

***Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.***

The audit provides a reasonable basis for the findings set forth in this report. The University should implement the recommendations listed in the Detailed Findings of this report. It is the University's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the University's documents comply in the future. The University must ensure that the findings discussed in this report are resolved.



## **Audit Methodology**

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

## **Fieldwork**

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

## **Audit Authority**

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

## **Audit Team**

*Amanda Price, CFE, CTCD, Lead Auditor*

*Angelica Villafuerte, CGAP, CTCD*

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## Appendix 2 — Definition of Ratings

### Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none"><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.