



An Audit of the Texas A&M AgriLife Extension Service

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether Texas A&M AgriLife Extension Service (Service):

- 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, 2019, through Nov. 30, 2020.

Background

In 1915, the Texas Legislature organized the Texas Agricultural Extension Service (now the Texas A&M AgriLife Extension Service). The Texas A&M AgriLife Extension Service provides quality, relevant outreach and continuing education programs and services. The Service educates Texans in the areas of agriculture, environmental stewardship, youth and adult life skills, human capital and leadership, and community economic development.

Texas A&M AgriLife Extension Service website
<https://agrilifeextension.tamu.edu/>

Audit Results

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

Auditors did not reissue any findings from the prior audit, which was issued in June 2018. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Incorrect lump-sum payment. • Incorrect state effective service date/longevity payment amount. 	Compliant, Findings Issued
<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"> • Missing vendor compliance verifications. • Failure to report to the Vendor Performance Tracking System (VPTS). • Late reporting to the Legislative Budget Board (LBB). • Purchase order created after invoice. 	Compliant, Findings Issued
Travel and Travel Card Transactions	Did travel and travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended locations and properly reported in the Service's internal system?	No issues	Fully Compliant
<u>Targeted Analysis</u>	Did the Service comply with FPP A.043 to use the correct Uniform Statewide Accounting System (USAS) vendor Texas Identification Number (TIN) for charge card transactions?	Improper use of the generic Texas Identification Number (TIN)	Compliant, Findings Issued
Internal Control Structure	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	No issues	Fully Compliant
Security	Are Service employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	No issues	Fully Compliant



Key Recommendations

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

- The Service must enhance its payroll review process to prevent incorrect payments of accrued vacation time.
- The Service must correct its method of calculating lifetime service credit for its employees and enhance its internal controls to prevent incorrect longevity payments.
- The Service must retain all documents relating to procurement and contracts and ensure that the required procurement documents are completed.
- The Service must report contract awards to the Legislative Budget Board (LBB) and report completed contracts to the Vendor Performance Tracking System (VPTS).
- The Service must prepare documentation of an agreement before goods or services are ordered from a vendor.
- The Service must review and modify its process and procedures for using charge cards issued by the state-contracted charge card vendor to ensure that specific vendor Texas Identification Numbers (TINs) are obtained and/or used or that vendors are set up in the Texas Identification Number System (TINS).



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$462,253.26 from a group of 30 employees and 329 payroll transactions to ensure the Service 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. Auditors also reviewed a limited sample of 10 voluntary contribution transactions with no exceptions identified.

Incorrect Lump-Sum Payment

In one instance, a terminated employee's lump-sum payment for accrued vacation time was incorrectly calculated, resulting in a \$224.96 overpayment to the employee. According to the Service, the miscalculation was made during processing.

The balance of the accrued vacation time must be completely allocated over the workdays following the effective date of the employee's separation from state employment. Hours must be added for each state or national holiday that occurs during the allocation period. See [Texas Government Code, Section 661.064](#).

Recommendation/Requirement

The Service must improve its current payroll processes to prevent incorrect payments of accrued vacation time. The Service should consider recovering the amount of the overpayment in accordance with [Texas Government Code, Chapter 666](#). Additionally, the Service must report the employee's indebtedness per [Texas Government Code, Chapter 403.055\(f\)](#).

Service Response

Multiple processors will continue to review and check calculation of lump sum payments along with corresponding holiday calendars.

Incorrect State Effective Service Date/Longevity Payment Amount

Auditors identified two employees with incorrect longevity payments due to incorrect state effective service dates in the Service's internal payroll/personnel system. The incorrect state effective service dates resulted in one overpayment of longevity pay totaling \$160 and one underpayment of longevity pay totaling \$220. According to the Service, the miscalculation was made during processing. The Service stated that it intends to compensate the underpaid employee during the next payroll cycle.



When an agency hires an employee, the agency must research whether the employee has prior state employment. If prior employment exists, the agency must confirm the amount of lifetime service credit and properly record it or risk incorrectly paying longevity pay. Also, an employee may receive longevity pay for the month in which he or she has accrued 24 months of lifetime service credit only if the employee’s anniversary falls on the first day of the month. Otherwise, the employee begins receiving longevity pay on the first of the following month. See [Texas Payroll/Personnel Resource – Non-Salary Payments – Longevity Pay](#).

Recommendation/Requirement

The Service must correct the state effective service dates for both employees, correct its method of calculating lifetime service credit, and enhance its internal controls to prevent incorrect longevity payments. The Service should consider recovering the overpayment in accordance with [Texas Government Code, Chapter 666](#). Also, the Service must compensate the employee for the underpaid amount.

Service Response

Processors will continue to review and verify state service dates along with checking the state verification website.

Purchase, Payment Card and Contract Transactions

Auditors developed a sample of 30 purchase transactions totaling \$1,556,425.74 and 10 payment card transactions totaling \$1,943.91. Two contracts with values of \$136,200 and \$991,875 were also selected and a sample of seven contract payment transactions totaling \$44,849.36 was reviewed to ensure that the Service complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions for these groups of transaction.

Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$136,200	Purchase of Diagnostic Equipment	No exceptions	No exceptions	No exceptions	Missing vendor compliance checks	Failure to report to the VPTS
Contract B	\$991,875	Lease of Office Space	No exceptions	No exceptions	No exceptions	No exceptions	Late reporting to LBB



Missing Vendor Compliance Verifications

Auditors identified the following instances where the Service was unable to provide evidence of performing the vendor compliance verifications (VCVs) for 11 purchase transactions, two payment card transactions and one contract reviewed. The Service must provide evidence, such as a screen print, showing that each verification was performed.

Warrant Hold Check

The Service did not document the verification of the vendor's warrant hold status before making a purchase or executing a contract for 11 purchase transactions and two payment card transactions. In addition, the Service did not verify the vendor's warrant hold status before executing one contract. The Service 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 Service 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 Service may not enter into a written contract with the person unless the contract requires the Service's payments under the contract to be applied directly toward eliminating the person's debt or delinquency, regardless of when it arises. Although payments made through the Uniform Statewide Accounting System (USAS) are automatically checked for holds, and the system identifies payments issued to persons with outstanding state debt, this does not relieve 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 Service, the state purchasing policy does not specifically require printing and retaining a copy of the vendor hold status report; it only notes that the status must be verified. The Service includes this information in its training for units but does not retain proof of performance. For the purchase transactions and the contract, the Service notes that the verifications have been performed on the dated internal order audit sheet, which is an internal checklist created by the Service. However, the Service has never maintained proof of each verification at the time it is performed.

Iran, Sudan and Foreign Terrorist Organization List Check

The Service was unable to provide documentation that it performed the Iran, Sudan and foreign terrorist organization checks before entering into the contract for 11 purchase transactions and one contract. 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](#). Per the Service, the verifications have been performed on the dated internal order audit sheet, but the Service has never maintained proof of performing the verifications.

Recommendation/Requirement

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

Service Response

The Purchasing Office already has an established process to conduct the VCV checks. At the time of purchase, the buyer performs the VCV checks and documents completion on the purchase order checklist. Additional steps will be implemented to print VCV checks for transactions over \$10K that are processed through the Purchasing Office.

Failure to Report to the Vendor Performance Tracking System

Auditors identified that 11 purchase transactions and one reviewed contract were not reported to the Vendor Performance Tracking System (VPTS) as required for contracts over \$25,000. The Service stated that it believed universities were exempt from this reporting requirement.

The Statewide Procurement Division (SPD) administers the VPTS for use by all ordering agencies per [34 Texas Administrative Code Section 20.115](#). The 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 form (VPF) electronically via the SPD web application portal. See [Texas Government Code, Section 2155.089](#) and [Section 2262.055](#). While Senate Bill 799, 87th Leg., 2021, amended [Texas Government Code, Section 2155.089\(3\)\(C\)](#) 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 bill's implementation date.

Recommendation/Requirement

For solicitations that began before Sept. 1, 2021, the Service 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.

Service Response

The Agency operates as an Institute of Higher Education (IHE) under Texas Education Code 51.9335 and is exempt from the requirements of §2155.089. Note that this was further clarified in the past legislative session by SB799 to amend 2155.089(c)(3)(C).

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, procurement from historically underutilized businesses (HUBs) 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.

Late Reporting to the Legislative Budget Board (LBB)

Auditors identified one contract that the Service failed to report to the LBB on time. According to the [General Appropriations Act \(GAA\), Article IX, Section 7.04](#), a state agency or institution of higher education must report any contract over \$50,000 to the LBB before the 30th calendar day after awarding the contract. 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; see the [LBB Contract Reporting Guide](#).



The Service stated that although the contract was not reported within the 30 days after contract award as required, it was reported to the LBB within the term of the agreement, and the Service reminded its buyers of the time requirements for LBB reporting.

Recommendation/Requirement

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

Service Response

The Purchasing Office checklist includes in its processes the LBB reporting requirement. All buyers have been reminded of the timeliness of requirement and will report accordingly.

Purchase Order Created After Invoice

In one purchase transaction for \$14,000, the Service created a purchase order (PO) after receiving the invoice. The Service indicated this was handled by Purchasing as a noncompliant order. The department responsible for the noncompliant order completed the required form, which included an explanation of the steps the department took to avoid recurrence.

Without a PO at the time the goods or services are ordered, it is difficult to ensure the Service obtained the goods or services it agreed to purchase. Per [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), a state agency, its officers and employees must maintain the necessary documentation for each purchase document to prove each payment resulting from the document is legal, proper and fiscally responsible.

Recommendation/Requirement

The Service must prepare documentation for an agreement before it orders goods or services from a vendor. Once the Service has made a final approved agreement with the vendor, the Service may not pay any amount in excess of the approved amount, unless the agreement is amended due to the vendor providing a new benefit or consideration. The Service must also maintain proper documentation to verify payments are valid and to ensure a proper audit trail.

Service Response

The Purchasing Office process for documenting a non-compliant order was followed. The department responsible for the non-compliant order completed the required form and submitted it to the Purchasing Office. The department will route any future renewals through the Purchasing Office prior to the start date.



Travel and Travel Card Transactions

Auditors developed a sample of 20 travel transactions totaling \$25,103.26 to ensure the Service complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Using a report generated outside the sample, auditors also reviewed five travel card transactions totaling \$3,462.32. Audit tests revealed no exceptions for this group of transactions.

Fixed Assets

Auditors developed a sample of 10 transactions of fixed assets acquired by the Service during the audit period to test for proper tracking in the Service's internal system. All assets tested were in their intended locations and properly tagged. The audit test revealed no exceptions for these transactions.

Targeted Analysis

The audit included a review of several special reports generated outside the sample. Auditors reviewed the Service'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.

Improper Use of the Generic Texas Identification Number (TIN)

Auditors ran a report to identify any payments processed incorrectly to third-party vendors. In the report and in the payment card transaction audit samples, auditors identified 112 transaction line items for 15 vendors totaling \$15,593.13 where the Service used the generic TIN for charge card transactions instead of the vendor's specific TIN. The Service used each of these vendors at least four times and on multiple dates. Four of these vendors have an existing TIN in the system that the Service should have used to record the transactions. Per the Service, it has adjusted its processes and will try to reduce the use of the generic TIN in the future.

According to [Processing Third-Party Transactions in USAs for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\) \(login required\)](#), state agencies must make every effort to obtain (or set up) the specific vendor TIN when coding transactions for third-party payments. An agency should only use the generic TIN if it has exhausted those efforts. Using the correct TIN is necessary to capture the actual vendor/individual doing business with the state, which makes the state's expenditures and spending activities more transparent. Improper processing also results in inaccurate expenditure reporting for public information requests.



Recommendation/Requirement

The Service must review and modify its process and procedures for using charge cards issued by the state-contracted charge card vendor to ensure that staff obtains (or sets up) and uses specific vendor TINs either at the point of sale or the point of payment. This will enable the Service to code third-party payment transactions with the correct vendor TINs in the detail lines.

Service Response

Adjustments have been made to process. We are making every effort to obtain form W9 from the vendor or information from USAS and set up the specific vendor TIN when coding payment card transactions to reduce the use of the generic TIN.

Internal Control Structure

The review of the Service'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 no exception in user access.

Security

The audit included a security review to identify the Service's 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, the Service must meet certain deadlines 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 the Texas A&M AgriLife Extension Service (Service) payroll, purchase, travel and procurement/contract transactions that processed through USAS from Dec. 1, 2019, through Nov. 30, 2020, to determine compliance with applicable state laws.

The Service 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 Service should implement the recommendations listed in the Detailed Findings of this report. It is the Service'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 Service's documents comply in the future. The Service 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

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Appendix 2 — Definition of Ratings

Compliance Areas

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

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.