



# An Audit of the University of North Texas

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# Executive Summary

## Purpose and Scope

The objectives of this audit were to determine whether the University of North Texas (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

Since its establishment in 1890, the University of North Texas has become a tier-one public research university with nearly 40,000 students. The mission and purpose are to provide a caring and creative community that empowers students to thrive in a rapidly changing world and to become innovative leaders of tomorrow.

University of North Texas website  
<https://www.unt.edu/>

## Audit Results

The University largely complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with travel cards, grants, property management transactions or with controls over expenditure processing. However, the University should consider making improvements to its payroll, purchase, procurement and security processes.

Auditors did not reissue any findings from the prior audit, which was issued 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?	<ul style="list-style-type: none"> <li>• Missing payroll documentation.</li> <li>• Overpayment of lump-sum payment of accrued vacation time.</li> </ul>	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"> <li>• Freight not on purchase order.</li> <li>• Purchase order created after invoice.</li> <li>• Missing Conflict of Interest Disclosure forms.</li> <li>• Missing vendor compliance verifications.</li> <li>• Missing required contract clause.</li> <li>• Missing contract amendment.</li> <li>• Failure to report to the Vendor Performance Tracking System.</li> <li>• Missing Texas Ethics Commission Certificate of Interested Parties (Form 1295).</li> <li>• Missing State Auditor's Office nepotism disclosure statement.</li> <li>• Missing documentation.</li> </ul>	Compliant, Findings Issued
Travel Card Transactions	Did travel card transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Grant Transactions	Did grant transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended locations?	No issues	Fully Compliant
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
<u>Security</u>	Are University employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	Failure to notify Comptroller to remove employee from signature card and failure to request security access removal	Control Weakness Issues Exist





## Key Recommendations

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

- The University must enhance its internal controls to ensure it maintains the documentation required to support all employee payroll deductions.
- The University must improve its current payroll processes to prevent incorrect payments of accrued vacation time.
- The University must review invoices for accuracy, completeness and agreement with the purchase order.
- The University must ensure staff creates the purchase order at the time the goods or services are ordered from the vendor.
- The University must ensure all employees who are involved in procurement or in contract management complete all required disclosure forms.
- The University must conduct all vendor compliance verification checks before any purchase, contract award, extension or renewal, and must retain results in the procurement file as evidence.
- The University must enhance its contract monitoring procedures to ensure no contract is extended beyond the terms of the agreement unless appropriately documented.
- The University must ensure all Texas required contract clauses are included in its contracts to protect the interests of the state.
- The University must report purchases over \$25,000 to the Vendor Performance Tracking System (VPTS).
- The University must ensure any vendor involved in contract awards of \$1 million or more completes Form 1295 on the [Texas Ethics Commission \(TEC\) website](#).
- The University must maintain the appropriate documentation to support payments made to a vendor.
- The University must 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. It must also ensure staff sends the request to remove an employee from the signature cards within five days of the employee's revocation or termination.



# Detailed Findings

## Payroll Transactions

Auditors developed a sample totaling \$502,824.53 from a group of 40 employees and 276 payroll transactions to ensure the University complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed nine exceptions in this group of transactions. A limited sample of 11 voluntary contribution transactions was audited with three exceptions identified. Additionally, in a report generated using the 40 employees from the sample, auditors compared reporting data from the Human Resource Information System (HRIS) to reimbursement requests in USAS. No exceptions were identified using this report.

## Missing Payroll Documentation

In the review of payroll and payroll deduction transactions, auditors identified six employees who did not have documentation in their personnel file or the University's internal HR/payroll system to ensure eligibility to receive longevity pay and/or to support their voluntary payroll deductions. Of the six:

- Four employees were missing applications/resumes to support their state effective service dates.
- Two employees were missing three payroll deduction forms to support their voluntary contributions.

In the review of 11 payroll deduction transactions, auditors identified three instances of missing required payroll deduction forms. The University was unable to provide a deduction form for a credit union deduction for one employee and two Texas Tomorrow Fund deduction forms for a second employee. Additionally, the University's staff was not able to locate job applications/resumes for four employees. The applications/resumes must be maintained to support eligibility to receive longevity pay if the eligibility is not supported by a personnel action form. According to the University, it transitioned from paper files to an electronic database, and some files may have been misplaced during the transition.

The Comptroller's office requires a state agency to maintain documentation supporting the legality, propriety and fiscal responsibility of each payment that results from a payroll document if the payment is made from the agency's funds. The Comptroller may require the documentation to be made available during a post-payment audit, prepayment audit or at any other time. See [Texas Payroll/Personnel Resource - General Provisions Q-Z - Required Documentation](#), [Texas Payroll/Personnel Resource - Voluntary Deductions](#) and [Texas Government Code, Section 403.071](#). Also see [34 Texas Administrative Code Section 5.47](#) for deduction payments to credit unions.



## Recommendation/Requirement

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The University must enhance its internal controls to ensure it maintains the required documentation for all employee payroll deductions. If electronic systems are the source of documentation, all required information must be captured to detail each action and its authorization. Retention of the supporting documents, whether in hard copy or electronic form, must be properly maintained for future reference.

## University Response

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*Before going live with our electronic database to store forms and applications, all HR related items were kept as paper files. This resulted in the loss of a number of employee forms. With the transition to our electronic database beginning Jan. 1, 2022, employee information and documentation is entered and stored electronically.*

## Overpayment of Lump-Sum Payment of Accrued Vacation Time

Auditors identified one instance of staff incorrectly calculating a terminated employee's lump-sum payment for accrued vacation time, resulting in an overpayment to the employee. According to the University, one month was included twice during the calculation, resulting in too much vacation time being credited to the employee. The University explained that vacation lump sums were calculated on the assumption that benefit replacement pay (BRP) was part of base pay, but it has since updated its calculations to no longer include BRP as part of base pay.

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 that allocation period. See [Texas Government Code, Section 661.064](#).

Auditors also identified four instances when calculation of terminated employees' lump-sum payments included BRP, resulting in overpayments for all four. According to the University, it followed the requirements included in the [Texas Payroll/Personnel Resource – Lump-Sum Payment of Accrued Vacation Time](#). The amount of [Benefit Replacement Pay](#) was included in the requirement to allow agencies to calculate and pay the maximum BRP payable on a lump-sum payroll for employees who do not level, but not to include in the calculation.

Per [34 Texas Administrative Code Section 5.43\(g\)\(1\)](#), benefit replacement pay may not be included in the applicable rate of compensation to be used in calculating a lump sum.

## Recommendation/Requirement

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The University must improve its current payroll processes to prevent incorrect payments of accrued vacation time. The University must recover the amount of overpayments in accordance with [Texas Government Code, Chapter 666](#).



## University Response

*Prior to September 2021, the UNT System Vacation Lump Sum Payouts (VLSP) were calculated with the assumption that BRP was part of an employee's base pay. VLSP procedural documents and related calculations were updated effective Sept. 1, 2021, to ensure that BRP is excluded from VLSP. This is to ensure that VLSP are accurately calculated to avoid any overpayments. The UNT System is actively working on recovering overpaid funds from all individuals involved.*

## Purchase, Payment Card and Contract Transactions

Auditors developed a sample of 25 purchase transactions totaling \$3,293,381.43, four book transactions totaling \$510,526.21 and four grant transactions totaling \$67,306.21. Two contracts with values of \$699,930.54 and \$323,786.52 were also selected with a sample of 17 transactions totaling \$773,717.06 to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Using reports generated outside the sample, auditors also selected 30 payment card transactions totaling \$244,151.67 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	\$699,930.54	Laboratory Equipment	No exceptions	No exceptions	Missing Conflict of Interest Disclosure forms	Missing vendor compliance verifications	Failure to report to the Vendor Performance Tracking System
Contract B	\$323,786.52	Networking Hardware	No exceptions	No exceptions	No exceptions	No exceptions	Failure to report to the Vendor Performance Tracking System

## Freight Not on Purchase Order

Auditors identified two purchase transactions with purchase orders that did not include freight charges; however, the vendors' invoices added freight costs totaling \$1,286, which the University paid. Payment should be limited to charges identified and agreed on in the purchase order. The University stated the department requestor failed to add a line for freight costs. See [34 Texas Administrative Code Section 20.487](#).

All freight amounts should be included on each purchase order. In situations where the final amount of freight cannot be determined, estimates may be used. In those instances, the University should document the limit that may not be exceeded for any





freight amount. If it is determined that the upper limit for a freight amount will be exceeded, the vendor should obtain approval for the higher amount. Any approvals for higher amounts should be documented before receiving the invoice.

## Recommendation/Requirement

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The University must review invoices for accuracy, completeness and agreement with the purchase order. The University must pay only the contracted amount as shown on the purchase order. If a charge is inadvertently left off the purchase, a purchase order change notice must be used to correct the discrepancy.

## University Response

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*UNT System Procurement Guidelines discuss the different types of freight terms and uses.*

*The UNT System will update the e-Procurement training document to include "when to add Freight to the Requisition/Purchase Order."*

## Purchase Order Created After Invoice

In one purchase transaction for \$6,000, the University created the purchase order two months after receiving the invoice and five months after services were rendered. Without a purchase order issued to the vendor at the time services are requested, it is hard for the University to ensure it is not overcharged or billed for goods or services beyond those agreed on. According to the University, this was due to an unintentional oversight by the department when scheduling the workshop.

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

## Recommendation/Requirement

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The University must ensure staff creates the purchase order when the goods or services are ordered from the vendor. Staff must maintain supporting documentation to reflect a reasonable order of transactional events and certify that the content of each document corresponds to the agreement.

## University Response

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*After-the-fact purchase reporting to requesters has been developed and is dispensed quarterly to users whose requisitions/purchase orders have been identified as being initiated after the supplier's invoice date. A reminder of UNT System policy is included along with the reports.*



## Missing Conflict of Interest Disclosure Forms

One contract was missing the required Conflict of Interest Disclosure forms for the staff involved in the procurement. The University agrees that the forms were not included with the original documentation, but has created a strategic sourcing team to handle this process.

Each employee involved in procurement or contract management for an institution of higher education must disclose to the institution any potential conflict of interest specified by state law or institution policy that is known by the employee or official with respect to any contract with a private vendor or bid for the purchase of goods or services from a private vendor by the institution. Employees must disclose any potential conflict of interest they are aware of at any time during either the procurement process, from the initial request for bids until the completed final delivery of the goods or services, or during the term of a contract with a private vendor. See [Texas Government Code, Section 2261.252](#).

## Recommendation/Requirement

The University must ensure all employees involved in procurement or contract management complete Conflict of Interest Disclosure forms confirming no conflict of interest exists with any contract with or bid from a private vendor. Employees must complete the forms even if their only involvement is signing off on and approving certain steps in the process. See [Texas Government Code, Section 2261.252](#).

## University Response

*A Conflict of Interest (COI) Disclosure form will be signed by each member of the UNT System Procurement Office if one is not already on file. The Procurement Office currently has a COI form, which will be sent for signature and kept on file. A COI form was found to be on file for the Buyer that dispatched the purchase order and has been added to our contracts package. The Conflict of Interest University regulation is also being reviewed at this time to meet all state requirements.*

*Conflict of Interest is checked at PO dispatch and a note stating "COI checked" is noted on the purchase order.*

## Missing Vendor Compliance Verifications

For 22 purchase transactions, 22 payment card transactions and one contract reviewed, the University either did not provide proof or provided invalid proof of the vendor compliance verification (VCV) checks. The University must document that staff performed each verification. The University acknowledged the vendor checks were not completed but has since updated the procurement process to include them.



## Warrant Hold Check

The University did not verify the vendor's warrant hold status before making 44 purchases and executing one contract. 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 with 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 that vendor unless the contract specifies that the University's payments under the contract will be applied directly to 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 entities 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 University could not provide documentation that it performed the Iran, Sudan and foreign terrorist check before entering into one contract and making 22 purchases. Agencies may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Sections 2252.001\(2\), 2252.151\(4\) and 2252.152](#). Each agency must check the divestment lists before award to determine if the potential awardee is in violation of this requirement, per [Texas Government Code, Sections 2252.153 and 2270.0201](#). 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.

## Recommendation/Requirement

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

## University Response

**Warrant Hold Checks:** *Payment Card: New software being implemented will help when a warrant hold check is missing. Continuing education and training will be held to educate payment card users on requirements for purchases of \$500 or more.*

**Purchase orders:** *The warrant hold check is to check if a vendor is on hold with the State of Texas. This runs nightly against EIS and any vendors on hold will be changed to "not open for ordering" in EIS. Additional communication will be sent as a reminder to document this warrant hold check.*





**Contracts:** A field is being added to the contract management software which prompts a search for warrant hold check to meet the 7-day requirement before contract signature.

**Iran, Sudan and Foreign Terrorist Organization List Check:** The lists from the Comptroller's website have been added to a spreadsheet and are being kept in University files. A purchase is checked against these lists and noted in the PO before PO dispatch. A field is being added to the contract management software with the lists attached and checked before contract execution.

## Missing Required Contract Clause

Auditors noted one purchase transaction was from an agreement that did not have the required contract clause verifying that the vendor was not boycotting Israel. The University agrees that this clause was missing from the agreement associated with the purchase order.

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](#).

## Recommendation/Requirement

The Comptroller's office recommends that the University ensures all required contract clauses are included in its contracts to better protect the interests of the state.

## University Response

*The contract clause was added to contract templates and the Standard Addendum to Agreements. The contract clause is currently included in all contracts being processed by the UNT System Procurement Office of \$100,000 or more.*

## Missing Contract Amendment

For two purchase transactions, auditors determined that the contract periods were extended without a written amendment. According to the University, the contract was not amended due to an oversight.

All contract amendments should be documented and should conform to the contract and agency processes, and both parties must agree to the changes. The UNT System Contract Management Handbook states that contract monitoring responsibilities include working with the contractor and UNT System Procurement and Payment Services when an amendment to the contract is needed.

## Recommendation/Requirement

The University must enhance its contract monitoring procedures to ensure no contract is extended beyond the terms of the agreement unless the University and the vendor agree to amend the contract in writing.



## University Response

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*The UNT System Procurement Contracts team will work with the UNT System Facilities office to comply with monitoring requirements as all construction related agreements are now processed through the UNT System Facilities area. It will be communicated to the UNT System Facilities team that a contract amendment is required and should be in place for any project that has passed its contracted date but work is yet to be completed or services are still being rendered by the vendor.*

## Failure to Report to the Vendor Performance Tracking System

For 11 purchase transactions and two contracts, the University failed to report purchases and contracts over \$25,000 to the Vendor Performance Tracking System (VPTS). The University stated that VPTS reporting had not been part of its process, but is being added to the University's procurement procedures.

Reporting to the VPTS identifies suppliers demonstrating exceptional performance, aids purchasers in making a best-value determination based on vendor past performance, and protects 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. For best business practices, see [State of Texas Procurement and Contract Management Guide](#) – Contract Management – Vendor Performance Reporting.

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. See [Texas Government Code, Section 2155.089](#) and [Section 2262.055](#).

## Recommendation/Requirement

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The University must report purchases over \$25,000 to the VPTS.

## University Response

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*Per Section 2155.089 of the Texas Government Code, VPTS reporting does not apply to a university system or institution of higher education. The UNT System Contract Management Handbook will be revised to reflect contracts with an annual value of \$250,000 be reported to the VPTS website. The UNT System Contracts team will work with departments to ensure reporting to VPTS for contracts with an annual value of \$250,000 or more.*



## Comptroller Response

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The contracts reviewed within the scope of this audit are subject to VPTS reporting requirements because they were solicited before Sept. 1, 2021. Although Senate Bill No. 799, 87th Leg., R.S., 2021, amended Section 2155.089(c), Government Code, to exempt institutions of higher education from VPTS reporting requirements, the bill only exempts contracts solicited on or after Sept. 1, 2021 (see Section 19 of the bill). Institutions of higher education are not exempt from VPTS reporting requirements for contracts solicited before Sept. 1, 2021.

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

Auditors identified one purchase transaction that did not have 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 required information early in the process. According to the University, the form was not signed by the interested parties, but a strategic sourcing team has been created to handle this process.

## Recommendation/Requirement

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

## University Response

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*The UNT System Contracts team will add the TEC 1295 requirement to the contract management system to ensure compliance. The Contracts team will reach out via email to vendors when the contract award is \$1 million or more to provide direction on completing the TEC 1295 form and returning it to the UNT System for acknowledgment. The form will be kept on file in the contract management system after being acknowledged on the TEC website.*

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

The University failed to have each employee involved in the procurement for one purchase transaction complete and sign SAO nepotism disclosure statement forms. According to the University, the SAO nepotism disclosure documents were not executed by the department that originated the contract, but a strategic sourcing team has been created to handle this process.





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; how to prepare a solicitation for a major contract; or how to evaluate a bid or proposal. See [Texas Government Code, Section 2262.004](#).

## Recommendation/Requirement

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

## University Response

*The UNT System Contracts team will add the Nepotism Disclosure Statement requirement to the contract management system to ensure compliance and work with all parties involved in the contract process. The UNT System Contracts team will partner with Strategic Sourcing Liaisons to ensure compliance when solicitations are made. The disclosure form has been downloaded from the SAO website and will be stored in the contract file for awarded contracts of \$1 million or more.*

## Missing Documentation

Auditors identified five purchase transactions that did not have sufficient supporting documentation.

## Missing Contract/Purchase Order

During the review of book purchases, auditors noted one transaction where the payable amounts and other obligations could not be verified because there was no contract, purchase order or memorandum of understanding between the University and the vendor. The invoice included a service charge of \$2,953.76, which the University paid. Payment should be limited to charges identified and agreed on in the contract or purchase order. The University believed the information was on the purchase voucher, but in this instance, the purchase voucher was not a substitute for a purchase order since it lacked elements of a contract such as: authorization or license to use an electronic database, identification of the license period, number of databases to be used based on the product order form, and the service charge. See [34 Texas Administrative Code Section 20.487](#) and [eXpendit](#).

In response to the post payment audit, the University has executed a contract with the vendor for current and future use. It has also confirmed the applicable service charge and percent increase for future charges in the terms and conditions of the newly executed contract.



## Missing Receiving Documentation

In three purchase transactions, the University did not document receipt of the goods. Per [eXpendit](#), documentation required to support purchases includes, but is not limited to: purchase orders, requisitions, contracts, invoices, receipts and receiving reports. The University stated that its system did not create the receiving documentation.

## Noncompliance With Internal Policy Requirements

The University did not document elements required by its procurement guide for a sole source purchase transaction. The University should use the UNT System Procurement Guide and the UNT System Contract Management Handbook for purchasing instructions. According to the University, the sole source justification was missing from the transaction.

## Recommendation/Requirement

The University must maintain the appropriate documentation to support payments made to a vendor.

The University should revise its process to include maintaining a written contract, memorandum of understanding, or purchase order to identify the goods or services requested. The University should also maintain documentation verifying the receipt of goods and services to confirm all contract terms and conditions are met. In addition, the University must follow its internal guide and handbook since it does not follow the [State of Texas Procurement and Contract Management Guide](#).

## University Response

*It is a UNT System purchasing procedure to require that the Sole Source Form be included to document sole source contracts. The UNT System Purchasing Specialist provides approval of the purchase through the signature on the form.*

*Purchasing Specialists have been trained to ensure future compliance.*

## Travel Card Transactions

Using a report generated outside the sample, auditors selected 30 travel card transactions totaling \$56,593.78 to ensure the University complied with the GAA, [Textravel \(FPP G.005\)](#), pertinent statutes and its own policies. Audit tests revealed no exceptions for this group of transactions.

## Grant Transactions

Using a report generated outside the sample, auditors selected four grant transactions totaling \$67,306.21 to ensure the University complied with the GAA, [eXpendit \(FPP I.005\)](#), pertinent statutes and its own policies. Audit tests revealed no exceptions for this group of transactions.



## Fixed Assets

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

## Internal Control Structure

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

## 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 the following exception.

### Failure to Notify Comptroller to Remove Employee From Signature Card and Failure to Request Security Access Removal

During the audit period, the University 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 2,677 days after termination. This could have allowed the employee to approve electronic and paper vouchers submitted to the Comptroller's office during that time. Any payment produced by an electronic or paper voucher approved by the terminated employee would have constituted an unapproved expenditure. The employee also remained on the signature cards for 2,663 days, potentially allowing the employee to approve paper vouchers submitted to the Comptroller's office during that time. Any payment produced by a paper voucher approved by the terminated employee would have constituted an unapproved expenditure.

Auditors ran a report and determined that the employee approved \$5,055,993.20 in expenditures after the termination date as an employee of the University; however, the employee is on the signature card for the University of North Texas System (System). The documents that were approved under the employee's expired authority constitute unapproved expenditures. According to the University, it believed the individual was authorized to approve the documents due to a shared services agreement between the University and the System. However, the University did not provide the Comptroller's office with a copy of the agreement. As a result of the audit, the individual's access was changed to meet state requirements.





When 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\(k\)\(3\)\(B\)](#).

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

In addition, auditors noted that the employee's termination had not been reported to HRIS. 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 University 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 institution. It must also ensure the request to remove an employee from the signature cards is sent within five days of the employee's revocation or termination. The University must report employee terminations correctly to HRIS.

## University Response

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*The USAS Security Coordinator receives a daily list from all institutions of all users who have been termed and also a list of users who change jobs. These reports are reviewed every morning by both Security Coordinators. If these users are USAS personnel then the ticket to remove or confirmation of new duties is noted and processed that day.*

*Moving forward, we have implemented a new process to automate the notification of special users who do not have access to USAS or other state systems, but do have signature responsibilities for the institutions. Additionally, this will cover users who change institutions and keep USAS access but do not have signature card duties. These roles are currently being developed and deployed with the new reporting to better identify all users.*



# 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 University of North Texas (University) payroll, purchase and procurement/contract 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

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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.