



An Audit of the **Texas A&M Transportation Institute**

Audit Report #727-22-01
February 22, 2023

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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas A&M Transportation Institute (Institute):

- 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, 2020, through Aug. 31, 2021.

Background

The Texas A&M Transportation Institute (Institute) is a higher education agency and a member of The Texas A&M University System. The 68th Legislature created the Institute by separating it from the Texas Engineering Experiment Station. The Institute sustains and supports an international network of transportation research professionals with efforts aimed at improving transportation engineering, planning, economics, policy, public engagement, landscape architecture, environmental science, data science, social science, and more. The Institute also plays a key role in educating the next generation of transportation professionals, training students both in the laboratory and in the classroom.

Texas A&M Transportation Institute website

<https://tti.tamu.edu/about/>


Audit Results


The Institute generally complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with travel expenditures, property management and internal control structure. However, the Institute should consider a few targeted improvements to payroll, purchase, payment card, and contracting processes.

The auditors reissued one finding from the previous audit conducted at the Institute related to incorrect longevity pay. Auditors originally issued this finding in January 2014. An overview of audit results is presented in the following table.



Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none"> • Missing documentation of final approval on personnel actions.  Incorrect state effective service dates leading to incorrect longevity pay. • Personnel actions not reported in statewide system (HRIS). 	Compliant, Findings Issued
Purchase, Procurement, Payment Card, and Contract Transactions	Did purchase, procurement, payment card, and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Missing proof of vendor compliance verification (VCV).	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 location and properly reported in the State Property Accounting system or Institute's inventory system?	No issues	Fully Compliant
Targeted Analysis	Did the Institute comply with Comptroller requirements for payment card, miscoded transactions, and charge invoice number and description reports?	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 and waste?	No issues	Fully Compliant

 Repeat Finding



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

 Repeat Finding

Key Recommendations

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

- Enhancing internal controls to prevent incorrect state effective service dates leading to incorrect longevity payments. The Institute must correct compensation underpayments promptly through a supplemental payroll.
- Retaining a copy of personnel compensation change documents with the appropriate approvals to support salary actions
- Reviewing internal payroll system to determine why information was reported incorrectly to the Human Resource Information System (HRIS) and correct the error according to the HRIS reporting requirements of the Comptroller's office.
- Maintaining a record of vendor compliance verifications performed prior to payments and/or awards.



Detailed Findings

Payroll Transactions

Auditors developed a sample of 50 employee payroll transactions totaling \$339,197.33 to ensure the Institute complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed some exceptions in this group of transactions.

Incorrect State Effective Service Date/Longevity Pay Amount

Auditors identified two employees with incorrect state effective service dates in the Institute's internal payroll/personnel system. One employee was on military leave without pay (LWOP). The incorrect state effective service dates resulted in two longevity underpayments totaling \$2,320 (\$600 + \$1,720).

The Institute's procedures for verifying prior state service occurs during the onboarding process where human resources staff requests employees to complete a Statement of Previous State Employment form. For both employees, the Institute stated that the service credits were not verified and not included in the months of state service, which caused the incorrect longevity payments.

When an agency hires an employee, the agency must research whether the employee has previous 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 Institute must correct the state effective service dates for both employees and enhance its internal controls to prevent incorrect longevity payments. The Institute must correct the compensation underpayment promptly through a supplemental payroll. See [34 Texas Administrative Code Section 5.40\(c\)](#).

Institute Response

The TEES Payroll Office corrected both employees' short longevity pay on the Sept. 1, 2022 payroll cycle and has updated both employees' months of service accordingly in Workday Human Capital Management system. One employee's incorrect longevity pay was due to missing employee military leave. The TEES Payroll Office has created an internal process to re-verify service upon return of any employee who is out for military service. Another employee's



incorrect longevity pay was due to missing time from another state agency that was not reported to the payroll office. The TEES Payroll Office will research fully the amounts of state service time provided by all future employees and question when the full service identified is not provided and when they see discrepancies.

Incomplete/Missing Documentation

Auditors identified 45 instances where the compensation change documents were missing approval signatures. These actions included merit increases, promotions, new hires, and equity, market, or scale adjustments. According to the Institute, memos to document the CEO/CFO's finalization and approval of the transactions were not prepared.

Agencies are required to maintain specific documentation to support the legality, propriety and fiscal responsibility of each payment made from the agency's funds. The Comptroller's office may require the documentation to be made available during a post-payment audit, pre-payment audit, or at any other time. See [Texas Payroll/Personnel Resource – Required Documentation](#).

Recommendation/Requirement

Auditors recommend the Institute enhance its internal system and internal processes to ensure that all salary and new hire actions are approved by the CEO/CFO. The Institute must retain a copy of the compensation change document with the appropriate approvals to support the salary actions.

Institute Response

The TTI Human Resource Office has implemented a process to route a memorandum to obtain TTI CEO/CFO approval for all future salary change actions. The Human Resource Office will retain copies of these memos as backup documentation to support the salary actions. In addition, the TTI Human Resources Office has implemented the use of a memorandum to ascertain all merit recommendations entered in the Workday Human Capital Management system have been reviewed by the CEO/CFO and merit salary actions receive final approval from the CEO/CFO.

Non-Compliance with Human Resource Information System Reporting

The Institute is not in compliance with the HRIS statutory reporting requirements for institutions of higher education. Auditors identified a total of 38 transactions that were not reported to HRIS. Five instances were for promotion increases, two instances were for new hire information, 27 instances were for merit salary increases, and four instances were for equity, market, or scale adjustment.



According to the Institute, the information sent from *Workday* to HRIS did not match the HRIS reason codes. The TAMU System Office *Workday*, the Institute's latest payroll software, was implemented in December 2017. The TAMU System Office *Workday* development team is investigating the issue and will take corrective actions.

The Comptroller's office collects and maintains payroll and personnel information for all state employees. The information is used to report statistics to various legislative and oversight bodies, the media and general public. Institutions of higher education must report personnel and payroll events to HRIS as outlined in [34 Texas Administrative Code Sections 5.41\(h\)-\(i\)](#).

If the Comptroller's office detects an error in a state university's report of personnel or payroll information, the Comptroller's office will provide a description of the error to the university. The university must then correct the error according to the requirements of the Comptroller's office.

Recommendation/Requirement

Auditors recommend the Institute reviews its internal payroll system to determine why the error in reporting salary actions and new hire information to HRIS occurred. The Institute must then correct the error according to the Comptroller's HRIS reporting requirements.

Institute Response

TTI agrees with this finding and understands the importance of HRIS reporting. This is an integration issue between the Workday and HRIS systems. We are working with the Texas A&M University System Office Workday IT team to implement a solution to ensure salary actions and new hire information are loaded to HRIS correctly.

Purchase, Procurement, Contracts and Payment Card Transactions

Auditors developed a sample of 20 purchase and lease transactions totaling \$703,628.17, one contract valued at \$24,948.00, and ten payment card transactions totaling \$34,810.51, to ensure the Institute complied with the GAA, the Legislative Budget Board, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide \(Guide\)](#), when applicable, the Texas A&M University System Contract Management Handbook (TAMUS Contract Management Handbook or Handbook), the Institute's Payment Card Program Guide, and Texas Education Code, Chapter 51. 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	\$24,948.00	Purchase of GPS data	No exceptions	No exceptions	Missing proof of vendor compliance checks.	No exceptions	No exceptions

Missing Proof of Vendor Compliance Verification Checks

Auditors identified one contract, 14 purchase and lease transactions, and nine payment card transactions where the Institute was unable to provide evidence of having performed one out of the six required vendor compliance verification (VCV) checks.

Warrant/Payment Hold Check

Agencies and institutions of higher education must verify a vendor's warrant hold status no earlier than the seventh day before and no later than the day of contract execution if payments under the contract will be made with local funds or involve payment card purchases over \$500.

The Institute must not proceed with purchases made with local funds or payment card purchases over \$500 until the warrant hold has been released, unless the contract requires the agency's payments under the contract to be applied directly toward eliminating the person's debt or delinquency, regardless of when it arises. See [Texas Government Code, Section 2252.903](#). See [eXpendit – Restricted Expenditures – Persons Indebted to the State](#).

Auditors could not find records of warrant hold checks having been performed for any of the 24 transactions identified. Additionally, neither the Institute's General Purchasing Guidelines nor the TAMUS Contract Management Handbook instructs purchasers to conduct a warrant hold verification, and the Institute's accounting system (FAMIS) does not preserve warrant hold verification for audit.

For purchase payments other than by payment card, the Institute relies on its accounting and payment system FAMIS to verify warrant hold status, to withhold payment if a vendor is on state hold, and to release payment when the hold is removed. The Institute stated that its departments are responsible for verifying a vendor is not on warrant hold prior to placing orders for goods/services.

For warrant hold verification on payment card transactions, the Institute's financial services began requiring documented warrant hold verifications for payment card transactions in the fiscal year following our audit sample date.

If warrant hold verifications are not performed, there is a risk of payments being made to vendors who owe money to the state, contrary to law.



Recommendation/Requirement

The Institute must check the warrant hold status of the vendor when a payment is made with local funds, a payment card purchase over \$500 is made, and prior to contract award, extension, and/or renewal if the payments under the contract will be made with local funds. It must retain dated results of the warrant hold check in the purchase, procurement, or contract file as evidence of having met this requirement. Additionally, the Institute should include requirements for the warrant hold check in its Purchasing Guidelines and Payment Card Program Guide.

Institute Response

The Institute conducted payment card training with departments in October 2022 and began requiring printed documentation of warrant hold check support for purchases over \$500. The Institute will clarify existing warrant hold check guidance in the Payment Card Program Guide to note that warrant hold check support must be printed and submitted with expense documentation. Current guidance notes that departments must confirm warrant hold status.

Additionally, a warrant hold check is performed by our agency's accounting system (FAMIS). State hold records are maintained in FAMIS using a hold file received daily from the state. This system control withholds payments if a vendor is on state hold and payment is released when the hold is removed. The Institute will review procedures for delegated purchases under \$10,000 and how to implement warrant hold checks on these purchases due to the large volume of transactions and update the Purchasing Guidelines accordingly. TEES Procurement Services has implemented procedures to document warrant hold checks for transactions over \$10,000 prior to contract award, extension, and/or renewal, regardless of funding source.

Travel and Travel Card Transactions

Auditors developed a sample of 25 travel and travel card transactions totaling \$10,002.04 to ensure the Institute complied with the GAA, Textravel (FPP G.005) and pertinent statutes. Audit tests revealed no exceptions for the travel sample.

Targeted Analysis

The audit included a review of several special reports generated outside the sample. Auditors reviewed the Institute's procedures for processing these transactions to determine compliance with state rules, regulations and processing requirements. Audit tests revealed no exceptions in the targeted analysis on the payment card, travel card, miscoded transactions, and credit card invoice number and description reports.



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 assets. All assets tested were in their intended location and properly recorded in the Institute's inventory system. Audit tests revealed no exceptions relating to these assets.

Internal Control Structure

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

Security

The audit included a security review to identify Institute employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be met so that security can be revoked in a timely manner. The audit tests conducted 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 or other asset management systems.
- 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 research payroll, purchase, procurement, contracts, payment card, travel, target analysis, internal control structure, and security that processed through USAS from Sept. 1, 2020, through Aug. 31, 2021, to determine compliance with applicable state laws.

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

The audit provides a reasonable basis for the findings set forth in this report. The Institute should implement the recommendations listed in the Detailed Findings of this report. It is the Institute's responsibility to seek refunds for any 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 Institute's documents comply in the future. The Institute must ensure that the findings discussed in this report are resolved.

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.



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.